

New World of Competition / Crackdown on Dubious Trade

Panama's Free Zone 'Pirates' Clean Up Act

By Larry Rohter
New York Times Service

COLON, Panama — "A den of pirates," a U.S. government official snorted when asked about the warren of shops, warehouses and banks just off the Caribbean entrance to the Panama Canal. In recent books, the spy novelist John Le Carré has portrayed the 1.5-square-mile walled compound as a steamy, seedy nest of intrigue where, for the right price and with the right contacts, just about anything goes.

That much is not fiction. The 4-square-kilometer free-trade zone here is the largest in the world outside Hong Kong, selling more than \$6.2 billion in goods each year to customers from all over Latin America and the Caribbean.

But name a dubious commercial activity of interest to U.S. law-enforcement or intelligence agencies, and chances are someone has been caught doing it in Colon. The laundering of drug money, the smuggling of arms to guerrilla and paramilitary groups in South and Central America, the sale of goods to Cuba in defiance of the U.S. economic embargo, the counterfeiting of trademarks — all have traditionally been part of the local landscape, perhaps reaching a peak during the corrupt military dictatorship of General Manuel Antonio Noriega.

But now, as it prepares to celebrate its 50th anniversary, the Colon Free Zone is trying to clean up its act. With competing duty-free centers popping up all over the Western Hemisphere, it is scrambling to hold on to the business that for decades it all but owned. Huge new ports have been built, rail lines upgraded, fees lowered and inefficiencies attacked. And, to make sure the world takes the image change seriously, it has launched one of the harshest crackdowns on money laundering in the hemisphere.

"We want to position ourselves for the 21st century as a huge distribution and transshipment center to all of Latin America," said Nassim Baskan, vice president of Fila Sportwear Corp. and a former president of the Colon Free Zone Users' Association.

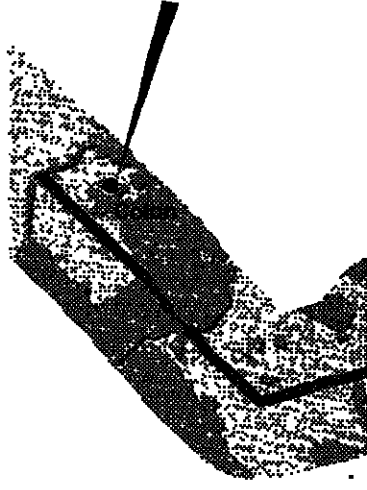
Established in June 1948, the Colon Free Zone has enjoyed a virtual monopoly on free trade in Latin America for most of its existence because governments almost everywhere else imposed high tariffs on foreign goods to protect inefficient domestic industries.

For smugglers, this protectionism created a market of 450 million people stretching from Tijuana just south of the U.S. border to Tierra del Fuego at South America's southernmost tip. Merchants from Colombia, Peru, Ecuador, Haiti, Jamaica, the Dominican Republic and other nearby countries flocked here, knowing they could always find the electronic appliances, car parts, clothing, liquor, perfume and jewelry their customers wanted but could not obtain legally at home.

Asian manufacturers were especially quick to pour their goods into the free-zone pipeline: today, Hong Kong, Japan, South Korea and Taiwan account for about 60 percent of the goods sold from here.

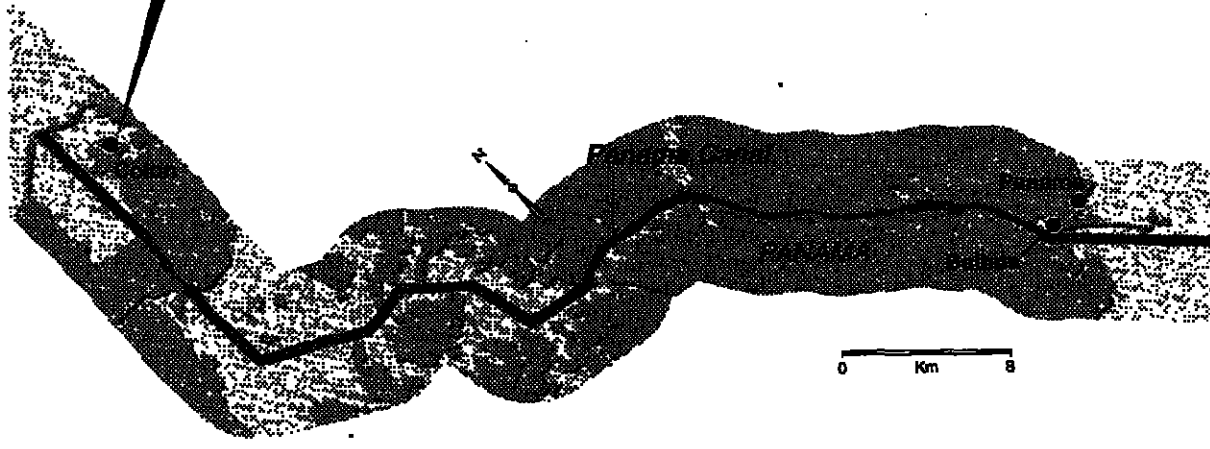
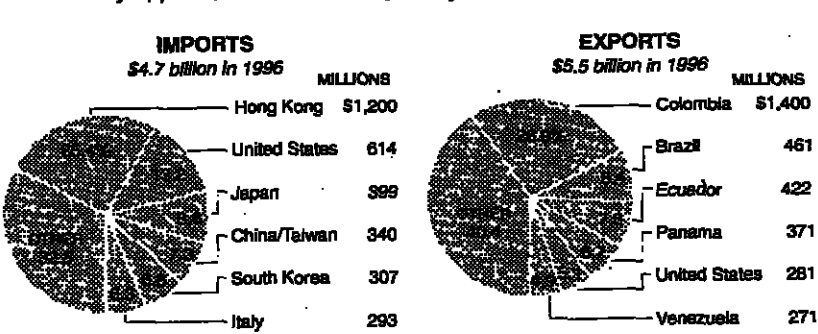
But in the global economy of the 1990s, many of the old protectionist barriers have fallen, a process that is expected to accelerate as a result of the April summit meeting of hemispheric heads of state in Santiago.

Spurred by the North American Free Trade Agreement and other regional pacts, countries throughout Latin America are racing to open their



Source: Panama Trade Development Institute

The Panamanian Free Trade Zone in Colon is the second largest in the world after Hong Kong. Electronics dominate the goods that move through the zone, followed by apparel, textiles, shoes, jewelry and watches.



Source: Panama Trade Development Institute

markets, and rival free-trade zones have emerged to challenge Colon's hegemony at sites as far-flung as Miami, Manaus in Brazil, Iquique in Chile and Ciudad del Este, Paraguay.

"They are going to have to reinvent themselves," said Victoria Figge, the Free Zone's government-appointed chief administrator from 1994 to 1997 and now the head of the Panamanian government's money-laundering monitoring unit. "The rules of the game worldwide are totally different now, and they have to adjust themselves to these new conditions and better exploit our privileged geographic position at the mouth of the Panama Canal."

NOT everybody thinks they are up to the task. Richard Wainio, the just-retired director of planning for the Panama Canal Commission, the U.S. government body charged with administering the waterway until its handover to Panama on Dec. 31, 1999, predicts that Colon's role will shrink as world trade expands.

"I'm one of the doomayers," Mr. Wainio said. "The zone is a huge operation, and it's not going to disappear. But the future lies in container transshipment, not warehousing. As barriers come down and you have a free flow of goods, you don't need that kind of operation conducted, legally or not, out of the zone."

Traders here, though, say they are adjusting to the new realities, and they point to a 15.6 percent increase in business last year as proof. Even with the regional boom in free trade, they argue, it is both quicker and cheaper for merchants in nearby countries to rely on Colon as a distribution point than to deal directly with manufacturers in Asia or the United States.

"We are a huge warehouse," with up to \$1.5 billion in goods on hand at any time, said Nidal Waked, president of the users' association, which represents the zone's more than 1,200 businesses. "We have everything here. If you want to put together a container with a thousand different products, you can do it here, and we can get it to you in almost no time."

Foreign manufacturers also have reason to retain

the Colon connection rather than to export directly to Latin American buyers, merchants here said. "We know what the Colombian, the Venezuelan, the Chilean likes because we have people who travel there every two weeks to visit clients," said Mr. Waked, whose family business, Vida Panama, sells refrigerators, washing machines, stoves and microwave ovens. "I suppose that the big brands could do that, but they would have to start from zero, and why do that when we are here and have 50 years of experience?"

In recent years, the zone's growth was slowed by high fees, inefficiency, corruption and theft at the nearby port of Cristobal. But those problems have been attacked by huge investments in projects to speed up the shipment of goods across the isthmus. A pair of giant container terminals recently opened, two more are nearing completion and a railroad line across the isthmus is being renovated.

All these measures have ended Cristobal's monopoly and slashed freight costs in half. At the same time, Panamanian authorities have taken drastic action to make Colon less attractive to the drug cartels from Colombia and Mexico that have laundered billions of dollars here over the years.

SINCE 1996, businesses here have been required to declare all transactions that exceed \$10,000, for instance, and can no longer accept traditional forms of payment like money orders, travelers checks, third-party transfers or checks drawn on Mexican banks.

Those rules, which on paper are even tougher than those in the United States, have not been especially popular among traders, who argue that they are losing business to other free zones, Miami in particular. In any case, many of them have never acquired the habit of asking questions of their clients.

"Where the money comes from, I can't say," said Marcos Almed Meza, a salesman for Nemo Traders, a small merchant house that sells clothing and electronic appliances.

"If a customer has made a declaration, then it's not my problem."

Annan Weighs Report On Massacres in Congo

By John M. Goshko
Washington Post Service

UNITED NATIONS, New York — Having been forced to withdraw the United Nations team investigating massacres in Congo, Secretary-General Kofi Annan is weighing whether to make public a scathing report by the team that is certain to make worse the world body's already tense relations with Laurent Kabila, the Congolese president.

UN officials say the report implicates Congolese forces and the Rwandan military in massacres of large numbers of Hutu refugees from Rwanda, including women and children, during the seven-month guerrilla campaign that brought Mr. Kabila to power. Some officials said the report uses the word "genocide" to describe the killings.

Officials here are said to be divided over whether to issue the report in its current form. Some UN officials, arguing for a long-run interest in political stability in Central Africa, advocate toning down or even suppressing the report as part of efforts to gain greater influence over Mr. Kabila.

On April 17, Mr. Annan ended the eight-month effort to probe reports that Mr. Kabila's guerrilla forces and their allies from the Tutsi-dominated army of neighboring Rwanda murdered thousands of Hutu refugees from Rwanda during the rebellion last year that toppled the former Zaire's longtime dictator, President Mobutu Sese Seko.

Rwanda has a long history of animosity between Tutsis and Hutus, and the killings in Congo allegedly were part of a Tutsi retaliation for the 1994 Hutu genocide campaign that killed more than 500,000 Rwandan Tutsis.

Mr. Annan recalled the investigating team after the Kabila government's harassment of UN personnel had made it impossible to complete a thorough inquiry.

UN officials said much of the report that resulted from the aborted mission was based on hearsay and secondhand information. Nevertheless, the officials said the report was couched in highly emotional language, and some said it described the treatment of Hutus in Congo as "genocide."

Mr. Annan will seek the advice of aides before he decides what to do with the report in the next few days.

UN officials said the internal discussions had revealed strong differences between human-rights advocates like Mary Robinson, the UN high commissioner for human rights, who believe the report should be given full, uncensored exposure, and those who believe that such a course would antagonize Mr. Kabila without having any practical benefits.

The advocates of toning down the report are reportedly motivated by the idea that Congo, the largest and most resource-rich country of Central Africa, is essential to the region's political stability. Thus, they argue, the United Nations has strong reasons for trying to coax Mr. Kabila, already hostile to the world body and most outside powers, toward democracy and seeking the outside aid and investment necessary to rebuild Congo's shattered economy.

Kabila Purges Cabinet

Mr. Kabila appointed 15 new government ministers Tuesday after pur-

ging his inner circle of five cabinet members and placing them under arrest. The Associated Press reported from Kinshasa, Congo.

The cabinet was expanded from 27 to 37 ministers and included two new senior ministers of state, Pierre-Victor Mpojo and Deo Gracia Bugera, Mr. Kabila said in a statement.

No explanation was given for the appointments. The new ministers were to be sworn into office in a private ceremony Tuesday.

Blast Kills 2, Hurts Dozens In Iran Court

Reuters

TEHRAN — An explosion Tuesday killed two people and injured others at an Islamic revolutionary court in Tehran, the Iranian state television reported.

"In an explosion at the Tehran Islamic revolutionary court, two people were martyred and two people were injured," it said, adding that the cause of the blast was being investigated.

Others said dozens had been injured and taken to hospitals.

Analysts said the use of the word "martyred" suggested the explosion was caused by a deliberate act but there was no confirmation.

The broadcast said the blast, which occurred at the reception area at the court, also caused damage to the three-story building in north Tehran and smashed windows.

It showed piles of rubble, shattered computers and office equipment.

"I saw tens of ambulances carrying 60 to 70 people," one witness said.

Revolutionary courts were set up after Iran's 1979 Islamic revolution to deal with political and other crimes according to laws based on the Muslim legal code.

There have been a few mostly minor bombings in Iran during the past few years, which Tehran has blamed on exiled rebels.

Murdoch Visit Assailed

Conservative members of Iran's Parliament have summoned the foreign minister for questioning about a visit by Rupert Murdoch, the media mogul, whom they denounced as a "pillar of Zionism," Reuters reported Tuesday.

The daily Jomhuri Eslami said five lawmakers had demanded that Foreign Minister Kamal Kharazi should also explain recent visits by two Americans who are known as analysts of Middle East affairs.

The move was the latest in a series of disputes between conservatives and supporters of President Mohammad Khatami, who has called for increased cultural and scientific exchanges with the United States.

Rocky Mount

Fund-Raising

Firms Fill the Gap

NEW YORK

POLITICAL

Ex-Official to Lead Inquiry into Hush

WASHINGTON

Senators Still in

On Bias by P...

WASHINGTON

Away From Politics

Defying predict...

The American He...

ACROSS

16 Capital Me...

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24 Unleashing

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**Air Hostesses See
Rouge Over Makeup**
COPENHAGEN — The
Danish airline Maersk Air
will be prosecuted under Den-
mark's Equal Opportunities
Law for demanding that its air
hostesses wear makeup.
The Equal Status Council
found that the airline exer-
cised "gender discrimina-
tion." The case will be heard
at the end of the month.

TRAVEL UPDATE
Safest EU Roads: U.K. and Sweden.
BRUSSELS (AP) — Road travel in the European Union is
safest in Britain and Sweden and most hazardous in Portugal
and Greece, the EU statistics agency Eurostat said Tuesday.
It said that the road death rate per one million inhabitants in
1995 was 64 in Britain and 65 in Sweden. The figures were
217 for Portugal and 195 for Greece.
Eurostat gave these totals of 1995 road deaths with the 1989
figure in brackets:
Belgium 1,449 (1,993), Denmark 582 (670), Germany
9,454 (9,779), Greece 2,043 (1,699), Spain 5,753 (7,188),
France 8,412 (10,528), Ireland 437 (460), Italy 6,512 (6,410),
Luxembourg 68 (67), the Netherlands 1,334 (1,456), Austria
1,210 (1,402), Portugal 2,156 (2,409), Finland 441 (734),
Sweden 572 (904) and Britain 3,772 (5,554).

El Al Lifting Its Liability Ceilings
JERUSALEM (Reuters) — El Al Israel Airlines said Tues-
day it was ending liability ceilings in connection with death or
injury from accidents as of June 1.
A spokesman said that although El Al was not required to
follow European Union rules, which are due to go into effect
in October, it was adopting them voluntarily and applying
them on its routes worldwide.

Athens to Stress Airport Safety
ATHENS (AP) — Improvements aimed at making Athens
airport more safe and efficient will be completed by the end of
June, in time for the peak tourism season, officials said.
The overhaul is intended to bring the airport up to European
standards. Improvements include a new radar approach sys-
tem and improved X-ray machines to scan baggage.

Japan Eases Indonesia Warning
TOKYO (Reuters) — Japan downgraded a warning to its
citizens on travel to Indonesia, clearing the way for families of
employees of Japanese companies involved there to return to
that country.

Europe

City	Today	Low	High	Forecast
Algeria	21/17	16/21	26/16	Cloudy
Amsterdam	18/14	12/18	20/16	Cloudy
Antwerp	18/14	12/18	20/16	Cloudy
Athens	26/18	21/23	28/19	Sunny
Bangkok	24/18	18/24	28/19	Sunny
Barcelona	24/18	18/24	28/19	Sunny
Berlin	24/18	18/24	28/19	Sunny
Bombay	24/18	18/24	28/19	Sunny
Buenos Aires	24/18	18/24	28/19	Sunny
Calcutta	24/18	18/24	28/19	Sunny
Cairo	24/18	18/24	28/19	Sunny
Cardiff	24/18	18/24	28/19	Sunny
Chennai	24/18	18/24	28/19	Sunny
Copenhagen	24/18	18/24	28/19	Sunny
Dakar	24/18	18/24	28/19	Sunny
Dallas	24/18	18/24	28/19	Sunny
Dhaka	24/18	18/24	28/19	Sunny
Dublin	24/18	18/24	28/19	Sunny
Edinburgh	24/18	18/24	28/19	Sunny
Frankfurt	24/18	18/24	28/19	Sunny
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Helsinki	24/18	18/24	28/19	Sunny
Hong Kong	24/18	18/24	28/19	Sunny
London	24/18	18/24	28/19	Sunny
Los Angeles	24/18	18/24	28/19	Sunny
Madrid	24/18	18/24	28/19	Sunny
Mumbai	24/18	18/24	28/19	Sunny
Manila	24/18	18/24	28/19	Sunny
Moscow	24/18	18/24	28/19	Sunny
Munich	24/18	18/24	28/19	Sunny
New Delhi	24/18	18/24	28/19	Sunny
New York	24/18	18/24	28/19	Sunny
Osaka	24/18	18/24	28/19	Sunny
Paris	24/18	18/24	28/19	Sunny
Perth	24/18	18/24	28/19	Sunny
Rangoon	24/18	18/24	28/19	Sunny
Rio de Janeiro	24/18	18/24	28/19	Sunny
Sao Paulo	24/18	18/24	28/19	Sunny
Seoul	24/18	18/24	28/19	Sunny
Shanghai	24/18	18/24	28/19	Sunny
Singapore	24/18	18/24	28/19	Sunny
Sydney	24/18	18/24	28/19	Sunny
Taipei	24/18	18/24	28/19	Sunny
Tokyo	24/18	18/24	28/19	Sunny
Ulaanbaatar	24/18	18/24	28/19	Sunny
Yokohama	24/18	18/24	28/19	Sunny

WEATHER
Forecast for Thursday through Saturday, as provided by AccuWeather.

Europe
Sunny, but cool in the morning. Some sun, quite warm and sunny in the afternoon. Rain possible in the evening. Rain possible in the evening. Rain possible in the evening.

Asia
Sunny, but cool in the morning. Some sun, quite warm and sunny in the afternoon. Rain possible in the evening. Rain possible in the evening. Rain possible in the evening.

North America
Sunny, but cool in the morning. Some sun, quite warm and sunny in the afternoon. Rain possible in the evening. Rain possible in the evening. Rain possible in the evening.

South America
Sunny, but cool in the morning. Some sun, quite warm and sunny in the afternoon. Rain possible in the evening. Rain possible in the evening. Rain possible in the evening.

Africa
Sunny, but cool in the morning. Some sun, quite warm and sunny in the afternoon. Rain possible in the evening. Rain possible in the evening. Rain possible in the evening.

Oceania
Sunny, but cool in the morning. Some sun, quite warm and sunny in the afternoon. Rain possible in the evening. Rain possible in the evening. Rain possible in the evening.

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Algeria	21/17	16/21	26/16	Cloudy
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Mumbai	24/18	18/24	28/19	Sunny
Manila	24/18	18/24	28/19	Sunny
Moscow	24/18	18/24	28/19	Sunny
Munich	24/18	18/24	28/19	Sunny
New Delhi	24/18	18/24	28/19	Sunny
New York	24/18	18/24	28/19	Sunny
Osaka	24/18	18/24	28/19	Sunny
Paris	24/18	18/24	28/19	Sunny
Perth	24/18	18/24	28/19	Sunny
Rangoon	24/18	18/24	28/19	Sunny

Folks are also a lot less obsessive about work than on the East Coast. The weekend starts about noon Friday as people stream out of Denver and

It began in February, when a 10-year-old, fifth-grade honor student from Longmont, Sharon Coslett, was expelled from school after she inadvertently took her mother's lunch to school. The lunch had a small paring knife in it that her

This month, it has become an epidemic. A school principal in the posh Cherry Creek school district was placed on leave because he

Samantha was not given permission to attend a dance at Greenwood Middle School. The principal, Jim Phillips, said dances were open only to students who have never had disciplinary problems, and since Samantha was being schooled at home he had no way to assess whether she met that standard.

Instead of "slavish adherence to rules," the paper suggested, officials should exercise some common sense.

Firms Fill the Coffers of D'Amato, the Senate Banking Chairman

Mr. D'Amato agreed to support the

Throughout his career, Mr. D'Amato, whose hearings two years ago began the torrent of revelations about Nazi gold accepted by neutral European countries during World War II, has been a tireless fund-raiser, a politician who works the

Mr. D'Amato declined to be interviewed. His aides said he had become the biggest fund-raiser because donors were pleased by his stewardship of the committee and his overall record.

"Clearly, the people who contribute to Senator D'Amato support the principles of the senator, not the other way around," said Lisette McCoud Mondello, a D'Amato spokeswoman.

A U.S. flag flew amid the rubble in downtown Spencer, South Dakota, where a weekend tornado killed six.

Mr. Mentele's dilemma is shared by almost everyone here. The unanswered question that hovers over this community is whether Spencer, a cozy, comfortable town where the 300 residents all knew one another, will ever live again. If you rebuild it, will they

can see. When rescue workers arrived in Spencer after the tornado struck, a city council member managed to account for everyone in town, Mr. Janklow said. That brand of familiarity is largely what gives Spencer its charm. But it also fosters a sense of mortality. Small towns here and across the Midwest have been dying for years as the young pick up and move for good jobs and a future in the cities and suburbs, leaving behind an older population.

"If I don't have a job here then I guess we'll have to go elsewhere," he said. "Our whole life was here, but

New York Times reported. From early Sunday morning to early Monday morning, storms flattened houses, felled trees, downed power lines and left two people dead in New York, where tornadoes touching down with winds topping 200 miles an hour (320 kilometers an hour) devastated several northern areas of the state.

Mr. Hale has denied receiving any such money. (AP)

WASHINGTON—A veteran lawmaker calls the infraction DWB: driving while black. And earlier this year,

Away From Politics

• Defying predictions that higher speed limits would mean more carnage, the number of deaths on California's roads dropped in 1997 to 3,671 people, the lowest level in 38 years, state officials reported. A major factor in the steady decline was the corresponding falloff in highway deaths attributed to drinking and driving. (LAT)

• The American Heart Association has declared obesity to be a "major risk" factor in heart attacks, adding it to a list that includes smoking, high blood pressure, high cholesterol and a

Former President Gerald Ford urging the Republican Party to rein in its "extreme right" before the next presidential election: "We should not permit one element to dictate policies within our party; if we do, the extreme right will doom our party to election defeat." (AP)

sedentary lifestyle. Before the announcement in New York, the association had been listing obesity as a "contributing risk" factor for heart attacks. (AP)

• **Prostate cancer deaths appear to be declining** because of a blood test that detects the disease early. Studies released at the annual meeting of the American Urological Association in San Diego show the benefits of a test to detect elevated levels of prostate-specific antigen, or PSA, which can be an early signal of the cancer. (AP)

● Philadelphia residents were without public transportation as transit workers began a strike after going more than two months without a contract. (AP)

ACROSS	25 Popular cooking spray	44 "G" off
Be wide open	26 Word said with a wave of the hand	45 A way
Square here?		46 Pre-
Common alias	30 Fabulous fur	47 Ex-
Port of "The Plague"	32 Paving stall	48 Brass
Tickle Me doll	34 Unruly crowd	49 Kne-
Capital west of Harphong	35 Swenson of "Benson"	50 Sp-
Like jokers, often		52 Bob-
Steen a pass?	37 For the birds?	54 "Scr-
Formidable foe	38 Taberd inn order	55 Tra-
Newcastle =	40 Understand	57 St-
Why-to-be exams	41 Big name in electronics	61
Lifesaving equipment	42 Beethoven's Third	62 Lant-
		63 Phil-

Solution to Puzzle of June 2

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"Garnet" ing Sun harmonic	21 Rear	28
	22 Steel from singer Nick?	33
	25 Steel drapenes?	37
	26 1973 Rolling Stones #1 song	41
	27 Substantial	45
	29 Transportation on the slopes	46
	31 Actress Ferrow	47
	32 Café cub	

DOWN

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See our
**International
Franchises**
every Wednesday
in *The Intermarket*

Be ahead
of your time.

"ROMA"
Collection.

Van Cleef & Arpels

A Milano in vendita da

PISA
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Via Verri 10 ang. Via Montenapoleone 9

PARIS CANNES MONTE CARLO GENEVE LONDRES BRUXELLES NEW YORK PALM BEACH
BEVERLY HILLS HONGKONG MOSCOW KOREA SINGAPORE PUSAN TOKYO OSAKA HONGKONG

Convicted Killer Expected To Testify Against Botha

The Associated Press
GEORGE, South Africa — One of the apartheid state's most feared assassins appeared Tuesday to be heading for a courtroom showdown with its last hardline president, P.W. Botha.

Mr. Botha is on trial for refusing to appear before the Truth and Reconciliation Commission, which is investigating apartheid-era human rights abuses. But the trial has become a probe into whether Mr. Botha's government sanctioned the murders of black activists.

To establish why it wants to question Mr. Botha, the Truth Commission has produced documents suggesting that the State Security Council, which the former president headed, authorized the killings of black liberation fighters.

Now, the prosecution wants Eugene de Kock, a former police colonel and death squad boss, to give evidence against Mr. Botha. Mr. Botha's lawyers oppose the move.

Mr. de Kock, whose ruthlessness earned him the nickname Prime Evil, is serving two life sentences plus 212 years on six charges of murder and 83 other convictions. By appearing at Mr. Botha's trial, he would have a chance to pin some of the killings he committed on the former government.

In his autobiography, published this year, Mr. de Kock called himself a "sacrificial lamb" for the apartheid-era

state's human rights abuses and complained that "the guiltiest of all — the generals and the politicians — have got off scot-free."

Evidence that Mr. Botha sanctioned attacks against black activists mounted Tuesday, when a retired police commissioner, General Johan van der Merwe, testified at a Truth Commission hearing in Pretoria.

Mr. van der Merwe linked Mr. Botha to the 1988 bombing of the Johannesburg offices of the South African Council of Churches, which opposed apartheid.

Repeating testimony made earlier, Mr. van der Merwe said that a former Law and Order minister, Adriaan Vlok, told him that Mr. Botha wanted Khotso House, the building that housed the church offices, destroyed. Mr. de Kock has admitted planting the bombs.

Mr. van der Merwe also testified that Mr. Botha's government ordered security police to commit illegal acts to fight the African National Congress, which was waging a guerrilla campaign to end apartheid.

Mr. van der Merwe's testimony came during a hearing into the 1988 death of the activist Stanza Bopape, who died under police torture.

Mr. Botha has insisted that he has nothing to apologize for and has described the Truth Commission's work as a witch-hunt against whites.

Ethiopia-Eritrea Border Clashes Claim More Than 100 Casualties

Agence France-Presse
ADDIS ABABA, Ethiopia — More than 100 people have been killed or wounded in border fighting between Ethiopian and Eritrean forces in northern Ethiopia, a humanitarian source said here Tuesday.

An official Ethiopian source said there had been 24 hours of "serious clashes" Sunday before the Ethiopian Army took control.

The Ethiopian source said the fighting had taken place in the regions of Aiga and Indalgada, about 190 kilometers (110 miles) from Mekele, the capital of Tigre Province.

"There are several hundred missing," an Arab diplomatic source said.

An Ethiopian source in the region of the fighting said the Ethiopian Army had taken about 20 Eritrean troops prisoner.

Sporadic fighting between the two sides continued Tuesday around Al-

itena, in the northern region, Western diplomatic sources said.

The U.S. Embassy in Addis Ababa, meanwhile, withdrew Peace Corps volunteers in the area of the fighting, and "suggested" that Americans refrain from traveling there.

On Monday, Ethiopian officials reported fresh incursions by Eritrean troops into Ethiopian territory in the northwest of the country, saying Ethiopian troops were being deployed along the border.

Eritrea and Ethiopia have both deployed troops in the area after what Addis Ababa said was an invasion by Eritrea's armed forces May 12 in the northwest in which 16 people were killed.

Eritrea claims that its troops have crossed no borders. Addis Ababa has insisted on the withdrawal of Eritrean forces before any talks, mediated by U.S. and Rwandan officials, take place.

BRIEFLY

Riot Police Patrol Zimbabwe Capital

HARARE, Zimbabwe — Hundreds of riot policemen were deployed Tuesday in the capital of Zimbabwe, and the main university was closed after student protests against President Robert Mugabe.

The police, armed with shotguns, clubs and shields, patrolled the city center, where about 200 students broke shop windows Monday.

About 10,000 students were sent home after the University of Zimbabwe was closed.

The home affairs minister, Dumiso Dabengwa, asserted that student protesters had received funding from unnamed opposition forces with a hidden agenda.

"We already know who is sponsoring them," he said on state radio.

On Monday, student leaders sent a petition to Mr. Mugabe calling for establishment of a commission to investigate graft allegations against his administration and for an increase in grants. (Reuters)

Court Bars 3d Term For Argentine Chief

BUENOS AIRES — Argentina's top electoral court has ruled that President Carlos Saul Menem is banned by the constitution from seeking a third straight term in 1999.

"The nation's president is not allowed to seek a third mandate," the National Electoral Court said Monday. Supporters of Mr. Menem had sought an interpretation of the law. (Reuters)

10 Killed in Mexico Fighting Forest Fire

MEXICO CITY — Ten Mexican troops who had been battling forest fires died Monday in a helicopter crash in Tamaulipas state, the Defense Ministry said.

The worst drought in decades and El Niño, the weather pattern, have fanned fires set to clear land in virgin rain forest.

The deaths Monday brought to more than 60 the number of people killed fighting fires that have scorched 380,000 hectares this year in Mexico. (Reuters)

BOOKS

A FATAL FRIENDSHIP

Alexander Hamilton and Aaron Burr
 By Arnold A. Rogow. 351 pages. \$27.50. Hill and Wang.

Reviewed by Richard Bernstein

IN the history of the United States from the Revolutionary War to the early republic, few figures have been treated as harshly as Aaron Burr. In 1807, Burr, the New York lawyer and former vice president, was put on trial (and found not guilty) of plotting to sell the western half of the American continent to Britain.

But, of course, the major black mark against Burr was that he killed Alexander Hamilton, a Founding Father and major American hero, in a sordid duel in 1804, when Hamilton was not yet 50.

In "A Fatal Friendship," by Arnold A. Rogow, a political scientist who has taught at Stanford University and the City University of New York, Burr comes in for better treatment than most writers have given him. Hamilton, on the other hand, is depicted as a man of pathological and self-destructive hatred who virtually forced Burr, after years of slander and innuendo, to

challenge him to a duel.

Rogow's book, which is carefully researched and soberly argued, is not exactly an exoneration of Burr or an indictment of Hamilton, but it does certainly come to a revisionist conclusion: that Burr has been condemned too harshly while Hamilton has been let off too easily.

Rogow's account of the Burr-Hamilton relationship is in this sense refreshingly iconoclastic. Why then does his version of the amazing relationship between these two historical figures never take on narrative power?

One reason is that Rogow's close attention to a good deal of rather dry detail often slows his story to a snail's pace. At the same time, his overelaborate, knotted, almost clinical prose style does not help.

Rogow pays far more attention to Hamilton than to Burr. In part, this seems a result of the simple fact that far more material is available on Hamilton than on Burr. But Rogow's purpose is also to demonstrate the considerable flaws in Hamilton's character that, he believes, impelled him toward his fatal meeting with Burr on a field in New Jersey.

And so a major portion of

leaves that Hamilton saw Burr as a kind of unwelcome mirror image of himself. Both men were small, prominent New York lawyers and were prone to sexual adventures, possibly at times with the same woman.

Hamilton, Rogow writes (in a typically stiff sentence) saw in Burr "those illicit and inappropriate fantasies, desires, and impulses of his own which he did not wish to confront and which, by relentless opposition to Burr, who represented his 'bad' self, he could strive to bring under control and render harmless."

Some of Rogow's arguments are highly speculative. This includes his speculation, reminiscent of Gore Vidal's novel "Burr," about the reason Burr was pushed to challenge Hamilton to a duel. A Hamilton consumed with hatred and determined to destroy the person he had selected to be his mortal foe may, Rogow writes, have spread the rumor that Burr was engaged in an incestuous relationship with his own daughter.

Rogow, in portraying Burr as passive and virtually blameless, skirts rather lightly over one of the more salient features of the case: namely, that it was, after all, not Hamilton's "obsession" with Burr alone that produced his death but Burr's aggressive reaction to that obsession.

But Rogow is certainly correct to call into question the historical memory that has made Hamilton a hero and Burr a villain. His argument is a thoughtful and valuable statement about the vagaries of moral and historical understanding. It is too bad that his writing style and his storyteller's skills are not up to the sweep of his subject.

Most interestingly and most speculatively, Rogow be-

New York Times Service

BEST SELLERS

The New York Times This list is based on reports from more than 2,000 bookstores throughout the United States. Weeks on the list are not necessarily consecutive.			
FICTION			
Rank	Title	Author	Weeks on list
1	"N" IS FOR NOOSE, by Sue Grafton		2
2	YOU BELONG TO ME, by Mary Higgins Clark		1
3	A WICKED PLAN, by John Irving		6
4	MESSAGE IN A BOTTLE, by Nicholas Sparks		5
5	BLACK AND BLUE, by Anna Quindlen		4
6	THE LONG ROAD HOME, by Danielle Steel		3
7	THE STREET LAWYER, by John Grisham		7
8	SECRET PREY, by John Sandford		1
9	CITIES OF THE PLAIN, by Cormac McCarthy		1
10	MEMOIRS OF A GESSHA, by Arthur Golden		9
11	A PATCHWORK PLANET, by Anne Tyler		8
12	OLD MOUNTAIN, by Charles Frazier		10
13	DAMASCUS GATE, by Robert Stone		14
14	PANDORA, by Anne Rice		11
15	THE TARGET, by Catherine Coulter		12
16	STILL ME, by Christopher Reece		2
17	ANGELA'S ASHES, by Frank McCourt		4
18	THE MILLIONAIRE, by Thomas J. Stanley and William D. Danko		5
19	NEXT DOOR, by Thomas J. Stanley and William D. Danko		7
20	THE MAN WHO LISTENS TO HORSES, by Mervyn Rothbart		9
21	THE CUB OF THE JEW, by Thomas Call		8
22	TALKING TO HEAVEN, by James Van Praagh		6
23	AMAZING GRACE, by Kathleen Norris		10
24	TRUMP OF JUSTICE, by Daniel Petrocelli with Peter Knobler		7
25	MIDWINTER IN THE GARDEN OF GOOD AND EVIL, by John Grisham		11
26	CONVERSATIONS WITH GOD: Book 1, by Neale Donald Walsch		12
27	CONSEQUENCE, by Edward U. Wilson		14
28	THE CUB OF THE JEW, by Thomas Call		8
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THE WORLD'S DAILY NEWSPAPER

Albania Waits

Tirana Considers Ship

THE ALBANIAN government is considering a ship to transport the remains of the late President Robert Mugabe to Zimbabwe.

The ship is expected to leave Tirana for Harare, Zimbabwe, on Monday.

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EUROPE

Albania Warns Milosevic

Tirana Considers Shift in Policy on Kosovo Crisis

TIRANA — The Albanian government warned Tuesday that it might review its policy on the Kosovo crisis because the Yugoslav government of President Slobodan Milosevic had showed no sign that it would refrain from the use of force.

Albania has won international praise for its restraint in the face of mounting clashes between Kosovo's ethnic Albanian majority and Serbian security forces.

Prime Minister Fatos Nano's government backs autonomy for Kosovo within Yugoslavia rather than independence, and has had no official contact with the separatist guerrillas of the Kosovo Liberation Army who are fighting Serbian troops for Kosovo's independence, preferring to deal with the elected ethnic Albanian leader in Kosovo, Ibrahim Rugova.

In an apparent hint that this could change, Mr. Nano said: "In Kosovo, people have taken up arms in self-defense and their or-

ganization in structures is a reality that should not be ignored." He said he would intensify his efforts to get the international community to put more pressure on Belgrade to halt what he called "ethnic cleansing" in Kosovo.

2,000 Flee Violence in Kosovo

International aid organizations warned Tuesday of thousands fleeing the surge of violence in Kosovo, which has claimed dozens of lives in the last several days. The Associated Press reported from Pristina, Yugoslavia.

All communications with western Kosovo, where Serb forces recently intensified their campaign to wipe out ethnic Albanian militants, remained cut off Tuesday, so no update on possible new casualties was available.

Serbian police said four policemen were wounded Monday by ethnic Albanian militants. About 2,000 people from Kosovo crossed into northern Albania on Sunday and Monday.

KOSOVO: Belgrade Moves to Wipe Out Rebels

Continued from Page 1

along the border and in other places."

Mr. Milosevic's decision to unleash his troops on the ethnic Albanian rebels undermines an American diplomatic effort to bring the two sides together. Richard Holbrooke, the U.S. envoy, had secured Mr. Milosevic's agreement to begin direct talks with the Albanian leadership, and had as a result decided that sanctions on Belgrade should be suspended.

The about-face on the sanctions has angered many European allies, since Washington originally pushed Europeans to adopt them.

Mr. Milosevic has been unable to seal off the mountainous and desolate border with Albania. Over the last few weeks he has watched weapons, supplies and mercenaries — many of them veterans of the Bosnian conflict — flood into Kosovo to build up the Kosovo Liberation Army, senior Western diplomats said.

The rebel force is fighting for a separate state in a province where ethnic Albanians outnumber Serbs nine to one. It already controls as much as 40 percent of the province and has been engaged in daily hit-and-run clashes with the police and the military in the last three months. More than 200 people have been killed since March, including three Yugoslav soldiers gunned down at the Morina border post near northern Albania on Friday.

The Serbian police have prevented reporters and outside observers from reaching the fighting. Those fleeing the area, however, report constant automatic fire and the crash of artillery rounds. Many villages are burning, especially those near the Albanian border, witnesses said in telephone interviews Monday. The ferocity of the combat appears to be greater than the bloody sweep in March by Serbian special police units that left 80 ethnic

Albanians, half of them women and children, dead. It was this attempt to wipe out the rebels that triggered the current open revolt in the province and swelled the ranks of the guerrilla movement.

"There is a very clear pattern of activity emerging," said a Western official who follows the conflict. He described the Serbs' thinking this way: "The Serbs are putting the army on the border and clearing the zone. You have to have an eight to 10 kilometer wide stretch where no neutral people live; anyone there is an enemy. You have to get them out of those villages, otherwise they can help the Albanians smuggle. At the same time, the Kosovo Liberation Army is trying to build, fortify and equip its base areas for training and using its force."

Until now, most of the fighting has been, in the words of a senior NATO official, "a distraction, a skirmishing line."

The fighting now, however, is different with elite special police and military units moving to wipe out rebel enclaves along the border with Albania and in the central Drenica region, according to witnesses in Pristina reached by telephone.

General Clark said that NATO, worried about the impact on neighboring states, was carrying out "detailed studies of possible preventive deployment" and "was preparing exercises for consideration."

But NATO officials conceded that it could take up to 20,000 soldiers to police the border with Albania and doubted that it would be possible to find the support necessary to deploy such a large contingent.

The Serbian government, which agreed last month to hold talks with the ethnic Albanians in order to stave off sanctions, said it would meet for a second time with the Kosovo Albanian leaders on Friday.



ANGRY MINERS — At a protest Tuesday in Kiev in front of the presidency, a participant banged his helmet on the ground to back demands for overdue wages.

Slovaks Give Assurance On New Nuclear Station

BRATISLAVA — Slovakia's nuclear power agency said Tuesday that it had assured the European Commission that the controversial Mochovce nuclear power station was safe but would not go into service until a final review.

The Soviet-designed Mochovce is bitterly opposed by neighboring Austria, which says the plant would be unsafe. Austria asked the European Union last week to take up its protest with Slovakia.

"Mochovce is, from a technical and safety point of view, ready to begin operating," the Slovak Nuclear Supervision Bureau said. It stressed that "strict requirements and the recommendations of the International Atomic Energy Agency" had been met.

Located 120 kilometers (75 miles) from the Austrian border, the Mochovce power station is scheduled to begin operating in June or July.

Pope Picks Guard Chief

VATICAN CITY — Pope John Paul II selected a colonel in the Swiss Army on Tuesday to head the elite corps of Vatican guards, which was shaken last month by a murder-suicide that took the life of the commandant, Alois Estermann.

The pontiff chose Colonel Pius Segmüller, 46, to head the Swiss Guards. He named Lieutenant Elmar Maeder, an attorney and army veteran, as second-in-command.

For five centuries, popes have drawn on

Swiss Roman Catholics to serve in the force, protecting the Pope and, in modern times, performing ceremonial duties. (AP)

Russia Acts on U.S. Pact

MOSCOW — The Russian Parliament announced Tuesday that it had decided to move up plans for closed-door hearings on the START II arms treaty with the United States, scheduling the issue for next week.

But the speaker of the Duma, Gennadi Seleznyov, warned that the hearings would be shelved if President Bill Clinton continued to put pressure on Russia to ratify the treaty.

After recent nuclear tests by India and Pakistan, some lawmakers have been urging Moscow to show its commitment to disarmament by ratifying the nuclear-arms agreement. (AP)

Serb Chief Silent on Foe

BELGRADE — The president of the Yugoslav Federation, Slobodan Milosevic, remained conspicuously silent Tuesday over a major election triumph by his foes in Montenegro, who pledged to defy him and push for more democracy.

Mr. Milosevic's reaction to the election victory of a coalition led by the reform-minded Montenegro president, Milo Djukanovic, could determine whether the remnants of Yugoslavia, now consisting of Serbia and Montenegro, break up or move toward democratic changes.

Mr. Milosevic's ally, Momir Bulatovic, who lost the elections, was summoned to Belgrade for consultations. There was no word from the meeting. (AP)

Spain Denies Laundering Nazi Gold

The Associated Press

MADRID — Spain on Tuesday denied new allegations from the U.S. State Department that it sold war supplies to Nazi Germany in exchange for gold stolen from Jewish victims.

"Spain did not launder Nazi gold stolen or looted from the Jews," Foreign Minister Abel Matutes said.

He added that Spain stood by its own investigation, which found that the country had acted correctly in its business dealings with Germany during World War II.

Mr. Matutes reacted to allegations by State Department historians and experts that Spain under Generalissimo Francisco Franco played a "crucial role" in laundering Nazi gold.

The report asserted that Spain was a leading exporter to Germany of tungsten, which is used to make can-

non and armored plating, and that it was frequently paid in looted gold.

Mr. Matutes said that Spain's exports of tungsten had never been a secret and added that the fact that the country sometimes was paid with gold did not constitute a charge.

Spain and four other neutral countries in World War II — Portugal, Switzerland, Sweden and Turkey — were accused in the State Department study that was made public Tuesday of handing back less than 20 percent of the looted Nazi gold believed to have been kept in their banks.

In April, a Spanish government commission presented a report in which it absolved Franco's regime of responsibility for the purchase of gold from Germany, saying that it did so out of economic necessity in the aftermath of the Spanish Civil War in the 1930s and that the transactions

had been "judicially impeccable."

In Lisbon, Prime Minister Antonio Guterres said that Portugal had nothing to hide about its wartime dealings with Germany.

"The Americans can say what they want. We are just interested in the truth," Mr. Guterres said in reaction to the U.S. government report.

Turkey to Investigate

Turkey said Tuesday that it would investigate allegations that it received Nazi gold in payment for war supplies. The Associated Press reported from Ankara.

"Turkey has nothing to hide," said the Foreign Ministry spokesman, Necati Utkan.

He added that a commission headed by a state minister would investigate.

Chamber Stops Work On Italy Constitution

The Associated Press

ROME — Constitutional reform in Italy was on its deathbed Tuesday, but political leaders said they were putting the funeral off until next week.

The Chamber of Deputies had been scheduled to vote on a disputed article revising the powers of the president, but the vote was called off.

"On Wednesday, June 10, the chamber will meet and it will acknowledge that the conditions to continue the reforms no longer exist," said Gustavo Selva, deputy whip for the rightist National Alliance.

Massimo D'Alena, the Democratic Left leader, said there could be a last-ditch effort to salvage reforms. But he said a "miracle" would be required for the process to continue.

RUSSIA: Yeltsin Calls for Help

Continued from Page 1

A statement expected this week envisions some kind of new, joint effort by business and the Kremlin, participants said.

Mr. Yastirzhembsky said the magnates presented Mr. Yeltsin with ideas to streamline taxes, untangle the country's web of wage arrears and debts, and reduce tariffs on gas, energy and railway transport.

Al Breach, an analyst at the Russian European Center on Economic Policy, said the symbolism of the Yeltsin meeting with the oligarchs was to display solidarity in the face of market panic.

"If one of them pulled the plug and went for the door," it would shake confidence in the entire system, he said of the tycoons.

"If they all stand firm," he added, they can hold it.

Those present included Rem Vyakhirev of the natural gas monopoly Gazprom; Vagit Alekperov of the oil giant Lukoil; Mr. Gusinsky, Mr. Chubais and several others. Most of them have banking as well as industrial and media holdings.

In another development, the Russian government vowed to move ahead with the privatization of Rosneft,

the state-owned oil company. When put on the block earlier for \$2.1 billion, there were no bidders, which sent shock waves through the markets.

On Tuesday, it was announced that the selling price would be \$1.6 billion.

Russian officials continued to discuss some kind of international bail-out package, possibly to reschedule Russia's \$70 billion internal debt.

U.S. Reaction Cautious

Paul Blustein of The Washington Post reported.

Officials in Washington sought to dampen expectations that a new international bailout for Moscow would be mobilized in a hurry.

They said the government of President Yeltsin must first take major steps to put the Russian economy on a sounder footing.

The Clinton administration and the IMF have become extremely sensitive to criticism that big international rescue packages allow rich investors and banks to avoid suffering losses on their risky investments in foreign countries.

Critics of the IMF have already begun complaining that an aid package for Moscow would bail out investors in Russian government bonds.

Driver in Gucci Murder Says Killer Is at Large

The Associated Press

MILAN — A defendant in the murder trial of the fashion heir Maurizio Gucci confessed in court Tuesday to driving the getaway car, then surprised the courtroom by saying that the killer was still at large.

The driver, Orazio Cicala, testified that he was drawn into the murder plot by Mr. Gucci's former wife, her high-society psychic and a hotel doorman. He then declared that the suspected gunman — Benedetto Ceraulo — was not guilty.

Mr. Gucci, the 46-year-old grandson of the man who founded the Gucci fashion empire, was shot on March 27, 1995, as he walked into his office building in central Milan. Prosecutors allege that his former wife, Patrizia Reggiani, had murdered because he had cut her alimony payments in half, to \$900,000 a year.

Mr. Cicala described the killer as a "dolt" he had met while dealing drugs, but said he was afraid to reveal the man's identity, the ANSA news agency reported.

"I can't give you his name because I have children and a family," he told the court.

For the first time, all five defendants appeared Tuesday at the trial: Mrs. Reggiani; her long-time confidant and spiritual adviser, Giuseppina Auremma; Ivano Saviano, a Milan hotel doorman; Mr. Cicala, and Mr. Ceraulo.

Mrs. Reggiani's lawyers said in opening arguments that she had hated Mr. Gucci and had often said she would like to see him dead. But they said a 1992 operation for a brain tumor had rendered her incapable of conceiving and carrying out the murder plot.

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OPINION/LETTERS

Goldwater: An American Original, Unprogrammed and Uninhibited

By David S. Broder

PHOENIX, Arizona — A scheduling coincidence brought me back to Phoenix on the day of Barry Goldwater's death and stirred memories of the summer, 34 years ago, when the Arizona senator came home from San Francisco with the Republican presidential nomination in hand.

The first day back, Mr. Goldwater was intercepted at the barbershop by The Associated Press's Walter Mears for an exclusive interview.

The next morning, several reporters stung by Mr. Mears's scoop drove up to Mr. Goldwater's mountain home, hoping to recoup. The security guard at the bottom of the driveway agreed to call the house and the senator, gracious as usual, let us come up.

You must understand that on that weekend, Mr. Goldwater was at the center of a huge political storm. The Republican National Convention had ended in an uproar, triggered by his defiant "extremism in the defense of liberty" speech. Large parts of his party were threatening to rebel and elders from Eisenhower on down were trying to calm the stormy waters. Every utterance from Mr. Goldwater was critically important at that moment.

So what did he do? First, he told us he had begun the day on the phone with another early riser, his neighbor "Lucky" Davis, mother of the future first lady Nancy Davis Reagan. As was their custom, they had exchanged the latest jokes to reach their ears — which he eagerly retold and none of which were remotely suitable for family newspapers.

Then he showed us the elaborate "ham" radio equipment in the corner of his living room and, on impulse, said, "Look at this."

He reached into a drawer below the transmitter, extracted a large brown envelope and removed from it a blown-up photograph of a near-naked woman posed provocatively near her own ham set. The inscription, he pointed out, read: "Barry, you ought to work my call letters."

The contents of the subsequent interview were much less notable than these preliminaries. The morning remains a vivid reminder that Mr. Goldwater, more than any other major-league politician I have ever known, was

determined to guard his own individuality no matter what. The press and the country could think what they damn pleased; he was going to live his life saying and doing exactly what he wanted.

That was his charm, and that is the paradox of his huge legacy.

He was almost completely uninterested in defining and organizing a mass movement, yet he truly created the conservative

He created the conservative politics that have dominated America for the last 30 years.

servative politics that have dominated America in the final third of this century. How did he do it?

His ghostwritten book, "Conscience of a Conservative," inspired a generation of young people to join the Republican Party; they fill its leadership today. But he was, as he was quick to proclaim, no intellectual. His ideas were no more than gut reactions to his experiences.

The U.S. Army Air Force made him a lifelong advocate of a strong military. Even more important, growing up in a family of entrepreneurs on a frontier just emerging into statehood and prosperity made him believe that self-reliance was the supreme virtue.

The essence of his philosophy was expressed at a 1964 campaign rally in Wichita Falls, Texas. He told the crowd filling a football stadium how their ancestors had come to the arid Southwest and scratched out a living from the hard soil.

When they had dug a little deeper they discovered oil — and riches beyond imagination. He concluded with a classic Goldwaterism: "So, as a famous man once said, 'Let my people go.'"

From those four words he derived a hostility to big government, taxes and regulation that is the hallmark of contemporary conservatism. The message took hold rapidly despite his landslide defeat; Ronald Reagan, who gained his first national politi-

cal exposure in the 1964 Goldwater campaign, won the California governorship just two years later.

The Goldwater-Reagan view merged with and fueled a national reaction against the Democrats, who for decades had dominated Washington and vastly expanded the scope of the federal government.

If Mr. Goldwater gave impetus to the conservative counterrevolution, he also demonstrated the weaknesses that have continued to plague it. Though principled, his opposition to the great civil rights laws of the 1960s was historically wrong; Republicans are still struggling to overcome the distrust of minorities who exercise growing political power.

And his habit of making off-the-cuff comments that alarmed people who rely on Social Security retirement benefits, Medicare and other government programs continues to plague congressional Republican leaders who are his heirs.

But he was always his own man, unprogrammed and uninhibited. An American original who loved political combat as he loved the land and the people of his native state. Unstintingly.

The Washington Post.

When the State Seeks to Punish States of Mind

By George F. Will

WASHINGTON — Meet federal Judge Whitaker J. Stang, who is old, dyspeptic and too good to be true:

"I like my clerks smart, young and pretty. And if anybody doesn't like it, they can sue me for sexual harassment. Age discrimination, and — I don't know — brains discrimination, how's that? Can they sue me for intelligence discrimination yet? ... Take note! I've hired black ones five or ten times at least. They were also smart, young and pretty."

Judge Stang is one of many tangle characters in Richard Dooling's "Brain Storm," a hilarious novel about hate. Set in the near future, it is a serious novel of ideas, including Mr. Dooling's idea that laws mandating enhanced penalties for "hate crimes" create, in effect, thought crimes.

Joe Watson ("Like many lawyers, Watson originally went to law school because he had been unsettled by the prospect of graduation from college") has an expensive wife and a bland but remunerative job at an establishment law firm.

Then Judge Stang assigns him to defend a racist lowlife who killed a deaf black man he found in bed with his — the lowlife's — wife. Watson loses his wife (temporarily) and his job (permanently) because, rather than plead his client guilty, he throws himself into the task of overthrowing the idea of hate crimes.

In real life, the first U.S. laws criminalizing hatred made it illegal to use hateful speech or to commit symbolic acts expressing hatred. These were declared unconstitutional because they were not "content neutral." If you painted a peace symbol on a synagogue, you got a mild sentence for vandalism; if you

MEANWHILE painted a swastika, you got 10 years for a hate crime.

So instead of directly banning hateful speech and acts, legislatures enhanced the penalties for acts that seemed motivated by hate or that seemed to have occurred because of the victim's status or the perpetrator's hatefulness.

This, a Dooling character says, is a bonanza for lawyers: "Hate could mean more business for them than crack cocaine. After all, hate is everywhere, and it's free!"

But proving intent to do something is hard enough without having to prove it was done with a bad attitude. Imagine the potential for abuse when the law invites prosecutors to prove to juries that a particular motive — a proscribed hatred of a group accorded special government protection — caused the killer to pull the trigger.

"Brain Storm" is a crash course in neuroscience, and the possible be-

havioral implications of neurological disorders.

One of Mr. Dooling's characters is a scientist who says that believing in free will is akin to believing in leprechauns. The mind, she says, is "a symphony orchestra with no conductor" — hundreds of billions of neurons cooperating to produce consciousness, and we have no idea how.

But new brain-scanning technologies can produce, in effect, pictures of, say, rage or contentment — the glucose uptake, oxygen consumption, blood flow and electrical or magnetic activities correlated with particular states of mind. So is it unreasonable to postulate genetic, biological, environmental or medical causes of violence — causes that can be removed?

The trouble is, the law holds us responsible for controlling our minds — which, presumably, control our bodies. Unfortunately, government increasingly wants to inventory and furnish our minds.

Today government, although hard-pressed to provide basic services, has ever more ambitious plans for fine-tuning citizens' minds. Joe Camel has been killed and Budweiser's frogs and lizards will soon find themselves in the government's gun sights as part of its metastasizing campaign against socially undesirable desires (and not only those of "kids").

Political hygienists bent on "campaign finance reform" are hot to gut the First Amendment to pro-

tect the (supposedly) gullible public from overdosing on "too much" political speech. To protect that fragile flower, womanhood (the law enshrines that stereotype), from "hostile work environments" (whatever annoys a particular woman on a particular day), a federal judge has held that use of gender-based terms such as "foreman" or

America's government has ever more ambitious plans for fine-tuning its citizens' thoughts.

"draftsman" could constitute sexual harassment.

Government has found that classified ads for homes with an "ocean view" and with "family rooms" discriminate against the blind and singles, respectively.

So pay attention when Mr. Dooling says, "The day is fast approaching when all speech will be regulated in the interest of civil rights and the prosecution of hate criminals who commit gender crimes through the hostile and abusive use of illegal words."

And read "Brain Storm" for a subtle, entertaining depiction of the tangle that results when government undertakes to punish not only crimes but states of mind.

Washington Post Writers Group.

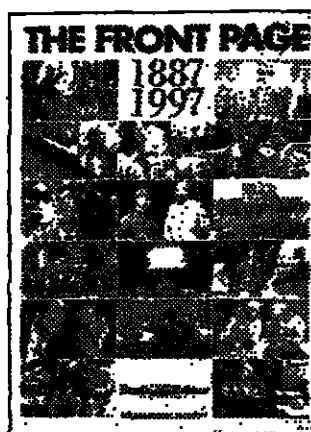
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THE WORLD'S DAILY NEWSPAPER

LETTERS TO THE EDITOR

Netanyahu's Trick

Regarding "The Numbers Come Out of a Hat — Israel Needs Guarantees" (Opinion, May 16) by Charles Krauthammer:

Mr. Krauthammer again demonstrates his capacity to be dazzled by the propagandistic gifts of Benjamin Netanyahu.

He noted that when Mr. Netanyahu recently met U.S. Secretary of State Madeleine Albright in London, the Israeli prime minister's advisers brought along maps that were supposed to show "which hill here and which ridge there" could safeguard Israel's security.

This playing with maps is an old trick of Mr. Netanyahu's. He has lost the goodwill of the Arab world, Europe and the U.S. administration. But his trick has bewitched Mr. Krauthammer, as well as A.M. Rosenthal and William Safire of The New York Times.

It has not, however, impressed some of Israel's most distinguished generals, who know a good deal more about Israeli security than do Messrs. Krauthammer, Rosenthal and Safire and their mentors in Israel's far right.

The two years of Mr. Netanyahu's reign have been marked by the total collapse of the peace process, while the real security risks to Israel have increased.

Instead of dealing with what had been an increasingly moderate Arab world, Israel is returning to the days of isolation and boycotts, and is in danger of seeing a renewal of massive violence — all in the name of "security."

The only security that Mr. Netanyahu is concerned with is the security of his position in his right-wing coalition.

UDI MICHALS, Tel Aviv.

Help the Kosovars

Since March I have received daily e-mail dispatches from Kosovo describing the steady process of ethnic cleansing of Albanian

villages by Serbian police, military and paramilitary personnel.

The procedure for this ethnic cleansing is well-known from Bosnia-Herzegovina: Villagers are surrounded and then shelled, sometimes from helicopters. Villagers are driven from their homes and forced to leave their dead and wounded behind. Houses are set afire. Resistance or self-defense is violently repressed.

This campaign of terror makes Kosovo the obvious next place for intervention by the international community. The danger of a wider conflict is imminent.

The United Nations has an obligation to intervene in such situations. Economic sanctions are not the way to solve the problem. Determined military protection of Kosovo's ethnic Albanians — 90 percent of the province's population — is imperative.

JONATHAN SCHWARTZ, Copenhagen.

Prim Librarians?

Regarding "The Power and the Poetry of the Once-Prim Pleat" (Style, May 26):

The writer says that, until now, pleated skirts have been "stubbly prim — the preserve of schoolgirls, lady golfers and librarians."

Another cheap shot. Are we librarians any more prim than journalists, scientists, musicians or teachers? Exactly how do we librarians dress? More important, who really cares?

Let us abolish the clichés about librarians: that we are all prim women who sport cat-eye glasses, buns and sensible shoes.

CAROL C. SIMPSON, Lindenhurst, New York.

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INTERNATIONAL

Indonesians Enjoy Taste of Freedom, but Wonder How Long It Will Last

By Seth Mydans
New York Times Service

JAKARTA — Suddenly, after decades of repression, Indonesia feels like a country without rules — and that, for many people here, is as frightening as it is exhilarating.

Political prisoners are being freed. The once tightly controlled press has slipped its leash. Students are holding sit-ins in provincial government buildings. People are speaking their minds.

These things were almost unheard of under President Suharto, who stepped down nearly two weeks ago after running Indonesia for 32 years. Already since his departure, a new Indonesia is in the making, but its shape is unknown.

"Everything is in flux," said Goenawan Mohamad, the editor of the magazine Tempo, which was shut down by the government in 1994 but now plans to reopen. "Things can change tomorrow in a moment."

He added, "This could be a short breath of freedom after the emperor is deposed."

For now, new political parties are being formed nearly every day. The military has returned to its barracks and is publicly investigating its own wrongdoings. And the attorney general has announced that he will investigate some of the immense wealth the former president amassed through businesses and charity foundations.

But there is little rejoicing here. It was not simply personal ambition that led Mr. Suharto to clamp down so hard for so long; it was a fear, shared by many in this country of 210 million people, of chaos.

The struggle to fill the place left by Mr. Suharto is only beginning, and unpredictable forces — the military, popular and religious movements, new political parties and opposition leaders — are testing their strength. Throughout the last week, rumors of coups and of conflicts within the military have swept the capital.

In the background, the economy is collapsing at an accelerating rate. Indonesia has entered a period of epochal change at a time when its people are becoming poorer, hungrier and more angry.

Dissatisfaction from the economic crisis was the prime engine behind Mr. Suharto's ouster, leading to riots and weeks of student protests. Pulling the country out of that economic tailspin has been left to his successor, B. J. Habibie. But social unrest in the coming months could again send the country into turmoil. One response to unrest could be reimposition of strongman rule.

"The forces of repression are still lurking," Mr. Mohamad said. "When you live with people with guns, you have to have institutions to defend you, and we don't have that yet."

Successive generations of potential leaders were quashed by Mr. Suharto's autocracy. Now the many sectors he suppressed have begun to emerge and marshal their forces.

Labor activists, leftist ideologues, Muslim su-

prematists, democratic reformers, human rights campaigners, regional separatist movements, those still loyal to Sukarno, the president ousted in 1967, and ambitious men and women who were forced in the past to pledge allegiance to Mr. Suharto have all been unleashed to pursue their own agendas.

"Now you have 1,000 alternatives," said Wimar Witelair, a political analyst. "Everyone is confused. Everyone knows that the status quo is not going to last very long. So everyone is grabbing for what they can get. It's a classic power vacuum and you have all kinds of whirlpools swirling around. It's very, very dangerous."

Among the dangers is a resurgence of ethnic and religious conflict in this nation of 13,000 islands, hundreds of ethnic groups and a history of conflict between the overwhelming majority of Muslims and minority groups of Christians and ethnic Chinese.

Many ethnic Chinese merchants remain afraid

to reopen their shops after three days of rioting last month that damaged thousands of buildings and cost at least 500 lives in Jakarta alone. Smaller outbreaks of rioting and looting have erupted elsewhere in the country since.

As dark fears and conspiracy theories stalk the capital, some even whisper that Mr. Suharto, who remains in Jakarta with his powerful family, may be acting as a "puppeteer" behind the scenes. "Be on alert because that factor could lead to a rift during the transition period," warned Marie Muhammad, who was Mr. Suharto's last finance minister, last week.

If the country's new openness and its struggle for political power degenerate into turmoil, and if its people slip further into poverty, many Indonesians might welcome a seizure of power by the military, the one institution that is seen by most people as organized and efficient. The military formed the base of Mr. Suharto's rule and remains the most potent power behind the scenes.

HABIBIE: His Timetable Leaves Him in Presidency Until 2000

Continued from Page 1

He said he believed that Mr. Suharto, who is 76, had grown too old to sense the mood of the people. As a younger man of 62, Mr. Habibie said, he had a better feel for the aspirations of the younger generation.

"It's a natural process, aging, you know," Mr. Habibie said. "I don't want to insult because he has done a lot for the country. But he's not a young man."

"The students are my children and the students are his grandsons. The gap between father and son is less than the gap between grandfather and grandson. It is a generation gap, O. K.?"

And in contrast with his patron, he presented himself as a champion of democracy and human rights as well as of the kind of economic openness that he said he hoped would quickly restore public confidence in the Indonesian economy and attract foreign investment.

"Now you have another person; you have another president," he said. "You have another economic team. You have transparency. You could never talk to

President Suharto the way you can talk to me." He added: "I am not the king."

He defended Mr. Suharto's accumulation of billions of dollars in wealth, saying the former president was frugal and never indulged in the life of the jet set. And Mr. Habibie said that Mr. Suharto's wealthy children shared the blame for their self-enrichment with a feudal culture that treated them like royalty.

"If you dig into the past, then the past is unlimited, and I have limited resources," he said.

"I'd better concentrate on the future. Many of the things that are said are right and many things are also exaggerated. And so it is not worthwhile for the future of my country to dig into the past."

As for his own enrichment and that of his family, Mr. Habibie insisted that they were all highly educated and talented people and that their wealth had been earned fairly.

In a melancholy tale of the handover of power, he described his sudden abandonment by Mr. Suharto, who he said had refused to meet with him before

stepping down and had not communicated with him since.

When told of a newspaper report that Mr. Suharto was passing the time playing golf and jogging, Mr. Habibie said, "Golf? That's good."

The last time they met, he said, between 8 o'clock and 9 o'clock on the evening before Mr. Suharto resigned on May 21, the former president was still discussing his plans to announce a new cabinet the next morning.

"But then at 11 o'clock I was informed by the secretary of the president that he had changed his mind. He was going to step down the next morning and leave it to the vice president to take over the leadership of the country," Mr. Habibie said.

"The next morning I applied to see him at home but they said, 'No, he is on his way. He will not receive you.'"

Mr. Habibie said he hurriedly asked various officials whether this handover of power was constitutional, and was assured that it was.

"Then they told me the president had arrived, and I immediately sent the protocol officer to see whether I could see



Protesters shouting anti-American slogans Tuesday at the U.S. Embassy in Jakarta. They accused Washington of interfering in Indonesian affairs.

him, and he said no," he said. Mr. Habibie also described what took place between them after Mr. Suharto had read his brief resignation statement and Mr.

STRIKE: 3d Day of Turbulence

Continued from Page 1

and conditions, leaving passengers on foreign airlines to cope with their own luggage.

The Communist-led CGT trade union, meanwhile, called a strike for Thursday on the Paris subway and the RER commuter service. Railroad workers have called a strike for Friday, and truckers are threatening to block roads in the days leading up to the World Cup.

"France, the company and the World Cup must not be held hostage," Mr. Gayssot told the National Assembly eight days before the June 10 start of the tournament in cities across France. "We must negotiate and we must break this logjam."

Air France says the pilots' strike is costing it about 100 million francs (\$16.8 million) a day. The strike is particularly embarrassing for the airline because it is the official carrier for the World Cup. It has promised to provide flights for all the teams in the 32-nation tournament.

Mr. Gayssot and Jean-Cyril Spinetta, the Air France chairman, said they would be flexible in the negotiations with the striking pilots, the first to be held since the pilots walked off the job Monday in a protest over planned salary cuts and a lower pay scale for new hires.

But the pilots remained wary, issuing a statement shortly before the talks opened urging Parliament to start an inquiry into Air France's finances.

For a few days now, Air France has been blowing hot and cold, said Jean-Charles Corbet of the SNPL pilots' union. "We are going to attend the meeting, but let's not get carried away. We shall see." The SNPL represents two-thirds of the airline's 3,200 pilots.

The talks ended after about five and a half hours and were to resume Wednesday at 3 P.M., officials said. There was no immediate word on whether any progress had been made.

French officials and soccer fans have accused the pilots and other Air France unions of blackmail by striking just before the World Cup begins.

Public opinion has been heavily against the pilots, who are among the best paid in the world despite the national airline's having run up years of losses. The airline has received 20 billion francs in taxpayer-financed bailouts in recent years.

On Tuesday, the Socialist Party urged the pilots to accept government proposals as a basis for negotiations and said it hoped talks could reach a favorable conclusion soon.

"By refusing all reasonable change, the pilots would indeed expose themselves to the incomprehension of French men and women," the party said.

About 98 percent of the company's pilots have joined the strike. As a result, most of the handful of Air France planes flying Tuesday were operated by charter companies.

Air France has set up special toll-free numbers in France during the strike. These are 0 800 240260 for international flights, 0 800 051155 for domestic flights from Paris and 0 800 051555 for domestic flights to Paris. Information is also available through the Minitel system at 3615 or 3616 code AF, horaires.

British Airways, meanwhile, said it was increasing passenger capacity on some of its London-to-Paris flights to meet additional demand arising from the strike. "We're doing everything we can, and over the next three days, we'll be offering 1,500 extra seats," a spokeswoman said.

Some of the 190-seat Boeing 757 aircraft used on Heathrow-to-Orly flights were replaced Tuesday with larger Boeing 767s, she said.

On Wednesday, the airline said there would be an extra 700 seats available on BA flights to Paris, with an additional 240 seats Thursday. (Reuters, AP, AFP)

Viagra Gets Thumbs Up From EU Medical Panel

Reuters

BRUSSELS — The European Union's medicines agency said Monday that its scientific advisory committee had recommended that Pfizer Inc.'s impotence treatment Viagra be marketed in Europe.

The London-based European Agency for the Evaluation of Medicinal Products said the European Commission would make the final decision after consulting the 15 EU countries — a process that normally takes three months.

Pfizer announced last week that the panel, the Committee for Proprietary Medicinal Products, had adopted a "positive opinion" on Viagra. Viagra won approval from U.S. regulators two months ago and quickly became one of the biggest-selling drugs in history.

Six deaths have been reported in the United States, but Pfizer said they were attributed either to cardiovascular events associated with sexual activity in older men or to a combination of Viagra and nitrates.

The EU medicines agency said in a statement that it was responding to applications to market Viagra from Pfizer Limited UK and Roerig Pharmaceuticals SpA, both Pfizer subsidiaries. It said it had considered the latest safety data available from patients in the United States.

GERMANY: 2 Big Parties Warming to Idea of a Grand Coalition After Elections

Continued from Page 1

ning for election on his party's platform can publicly admit to any fondness for the idea.

During the '60s coalition period, it has been argued that West Germany emerged from recession and took the first small steps toward *Ostpolitik*, the opening to the then Soviet Union and its Eastern European orbit. At the same time, though, some historians have made the case that the Red Army Faction terrorists that challenged Germany's stability in the '70s found root in the Grand Coalition's neutered political environment.

Now, the possibility of a Grand Coalition has emerged because of the particularities of the German electoral system, which virtually guarantees that no single party can achieve a majority and rule on its own. Every poll indicates, and the political community believes, that the Social Democrats will run up the best score, winning 42 percent or 43 percent of the vote.

Within their own camp, the Christian Democrats are expected to peak at about 39 percent. Politicians and pollsters concur to give the Greens, the Free Democrats, and the Party of Democratic Socialism (PDS), the hard-left party anchored in Eastern Germany, just enough votes to enter the Bundestag.

Publicly, the SPD has advanced the position that it would seek to govern with the Greens. But the ecological party now appears likely to enter the Parliament by only a thin margin, and Joschka Fischer, the Greens' most coherent mainstream leader,

has privately told colleagues that he believes Mr. Schroeder wants and will get a Grand Coalition.

A Social Democrat member of Parliament said that if the Greens ran as expected, staying close to 5 percent of the vote, and that the PDS was comfortably returned to Parliament, a Grand Coalition "becomes likely enough for me to say my instincts tell me it will happen."

Ahead of everything else, this would relieve Mr. Schroeder of having to live with a situation where it appeared, regardless of his denials, that he was tacitly counting on the former Stalinists of the PDS for support in a tight squeeze.

A ranking Christian Democrat, analyzing Mr. Schroeder's thinking, said he would likely consider that he would have an easier time reducing taxes and reorganizing work-place rules counting on CDU support rather than having to rely on the chancier support of the Greens and the trade union wing of his own party.

"And frankly," he said, "there is no better way for him to deal with Lafontaine." The reference was to Oskar Lafontaine, the SPD chairman, whose old-left political orientation and strength within the party represents a contradictory presence for Mr. Schroeder's stated plans to reform the German economy and job market.

Within the CDU, Chancellor Helmut Kohl has sharply rejected any possible cooperation with Social Democrats, and various other segments of the party are opposed to any coalition arrangement with the SPD. The opposition breaks down into groups that feel they could alienate their rank-and-file local

support through a deal with the SPD, find themselves too ideologically opposed to cooperate, or believe that an SPD-Green coalition is so pre-programmed for disaster that it guarantees the CDU's return to power in four years, if not sooner.

Against this are those in the CDU who want a continuing presence in government, with its jobs and prerogatives, and who believe, sometimes passionately, that a Grand Coalition in September would assure the country's stability and progress. After 16 years in power, the coalition would also provide the CDU with a practical and relatively painless mode for its after-Kohl reorganization.

Since no one in either party can campaign openly for it, the coalition idea swims on its own, without vocal support, in the flood of German public opinion surveys. In a poll published last week by the newspaper Die Welt, 51 percent said that an SPD-CDU government would be the coalition best able to solve the country's problems, an increase of 10 percent since February. One in four Germans preferred a coalition between the Social Democrats and Greens. Another poll, taken among financial professionals by the newspaper Handelsblatt, showed the number of people believing that there would be an SPD-Green coalition falling from 49 percent to 40.5 percent in a week.

Asked if he didn't see a risk in the disengagement and political somnolence that its critics say a Grand Coalition could bring, the SPD legislator replied, "Whatever the outcome, I never heard of anyone outside of here being afraid of a boring Germany."

CHINA: Freed From Jail, Ex-Senior Official Assails Leadership

Continued from Page 1

munist Party and was the point man for political reform under Mr. Zhao.

"I am still proud that I was a party member," Mr. Bao said, "but the Chinese Communist Party has done a lot of stupid things."

His comments come amid signs that influential party members are debating political reform more openly than any time since the 1989 crackdown. Some voices outside the party are also calling for a re-evaluation of the party's verdict on the suppression of the 1989 demonstrations, which ended in the deaths of hundreds of civilians.

Mr. Bao was riding on a train back to Beijing from the countryside in 1977 when he heard a radio broadcast that Mr. Deng had been rehabilitated.

"I had a great deal of hope in Deng," Mr. Bao said Tuesday night. "I thought in the beginning he could become a great man in Chinese history."

"Unfortunately," Mr. Bao said, referring to the 1989 crackdown, "during June 4, he blackened his own face. No one did this to him. He was too powerful. He did it to himself. That, I think, is a tragedy for him."

Mr. Bao blamed the Communist Party for thinking it could undertake economic reforms without significant political reforms. He said that the party should have embraced political change at the time of the Democracy Wall movement in 1979. Instead Mr. Deng used the movement to crush his leftist rivals, then turned on the movement and jailed its most prominent advocate, Wei Jingsheng.

"This was the biggest lesson" of 1989, Mr. Bao said. "I was very active in pushing political reforms. But I should have pushed for them earlier."

Referring to a group of leftist leaders, he said, "From as soon as we smashed the Gang of Four, just when the Democracy Wall was up, we should have started."

He said the failure to do this had created a country with a weak legal system that risks repeating mistakes of the Cultural Revolution, when millions of people were killed and exiled to the remote countryside in a decade of intra-party strife, and of the Tiananmen Square crackdown in 1989.

He linked the party's bouts of what he called "madness" with a concern that as

China grows more powerful it could prove a destabilizing force in Asia and world affairs. China "has already gone mad twice in the last 40 years," Mr. Bao said. "You have to ask yourself a question: What will it do on the international scene? Is it a source of stability or a potential source of instability?"

"When it doesn't have enough power, its attitude will be restrained. But once it develops and becomes strong, what kind of role is it going to play without a complete structural change?"

"If we were a small country, it wouldn't matter," Mr. Bao added. "But we are a big country."

He said China should adopt a system of multiparty democracy and said that the Communist Party should model itself on American political parties and be more responsive to its citizens. "If we can't do a multiparty system now, we can still start to work within the party to have a free discussion of opinions," Mr. Bao said.

Though he was expelled from the party when he was officially sentenced in 1992, he noted that Mr. Zhao, the ousted prime minister, was still a party member. "If he could publicize his views about June 4, that would be an improvement," Mr. Bao said.

Mr. Zhao, who was the second of Mr.

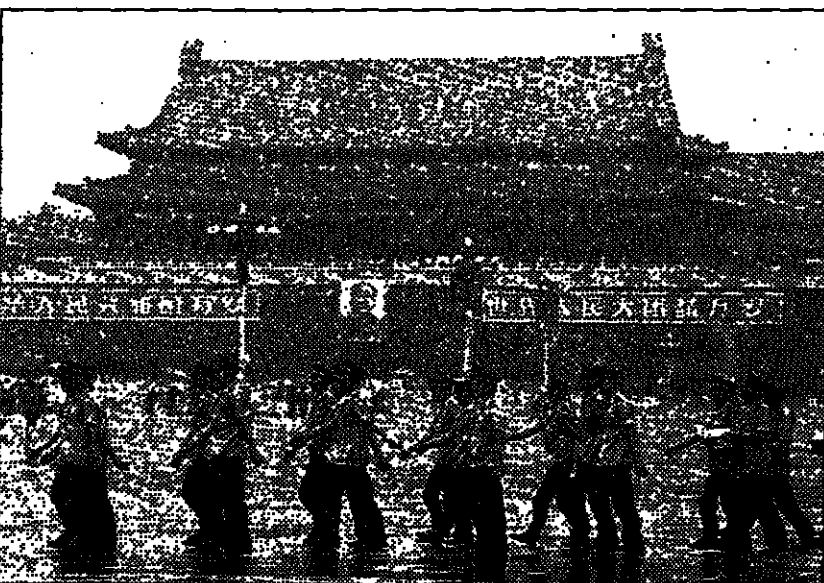
Deng's protégés to be ousted and who preceded the current party chief, Jiang Zemin, lost his post in May 1989 after he appeared in Tiananmen Square to express sympathy with the students and plead with them to leave the square. He lives in Beijing under a loose form of house arrest. During the party congress in October, he sent a letter to party leaders in an unsuccessful attempt to get them to reassess the events of 1989.

Although many officials and scholars blame the students for provoking the government crackdown through their recalcitrance, Mr. Bao said the prime responsibility lay with the government.

"As a party member and official, my mistakes were bigger than theirs," Mr. Bao said. "Even if the students made 100 mistakes, it still wasn't equal to what the government did to them in sending the military to shoot at the people. There's no way you could compare it."

Mr. Bao, who joined the party underground during the 1940s when he was a high school student, had worked with Mr. Zhao on economic and political reforms for 10 years at the time of his arrest.

Mr. Bao said that his treatment showed the absence of true rule of law in China. A State Council report written by the Beijing party chief at the time, Chen



ON PATROL — Military policemen marching in Tiananmen Square on Tuesday, two days before the anniversary of the 1989 massacre in Beijing.

Xitong, who is now in jail on corruption charges, accused Mr. Bao of leaking word to the students that martial law would be imposed and advising them about how to confront it. But at his trial in 1992, no mention was made of those charges, Mr. Bao said.

Mr. Bao's imprisonment violated one of the unspoken rules Mr. Deng made after the Cultural Revolution. That rule was: If you're a senior party official and lose a power struggle, you lose your job but you don't go to jail. Mr. Bao is the only exception to that in 20 years.

KASHMIR: In Remote Villages Along the Border Between India and Pakistan, the Shooting Never Stops

Continued from Page 1

could attempt a military solution of the Kashmir crisis as early as this fall, according to civilian and military leaders familiar with the meeting.

Giving some credence to his fears, while the general was on the border, Indian officials were saber-rattling with threats of "attacking Pakistan" and "hot pursuit" of Kashmiri militants into Pakistan territory.

By the end of the meeting, General Karamat had convinced Mr. Sharif to order Pakistani nuclear scientists to explode their bombs in underground tests, sources said. The order was issued before dawn the next morning. Three days later, Pakistan exploded five nuclear bombs, followed by a sixth blast two days after the first round.

Kashmir, long considered a potential flash point for nuclear war in South Asia, has now become the most critical linchpin in the debate in an international effort to maintain stability between two nuclear nations with deeply entrenched religious and political animosities.

"If we want to save not only South Asia from nuclear war, but the world as a whole, Kashmir is the root," said Mian Ghulam Rasool, a member of Pakistan Kashmir's state legislative assembly representing Chokothi and surrounding villages on the "line of control."

In the view of many political and military analysts, his comments are not mere hyperbole. The emotionally charged and militarily volatile conditions along the Kashmir border offer conditions ripe for the kind of escalation to full-scale conventional warfare that potentially could lead to a nuclear attack. The possibilities are particularly dangerous in two nations with poor communications both internally and between capitals, inadequate command and control of military operations and insufficient satellite surveillance of rival military operations.

The "line of control" slices through some of the most dramatic landscape of South Asia. In the Indian controlled state of Jammu and Kashmir, the summer capital, Srinagar, was once India's most

famed tourist resort, with tranquil lakes nestled beneath the snow capped Himalayan Mountains. But nine years ago Muslim militant separatists advocating a reunited Kashmir launched a guerrilla war against Indian troops in India's Jammu and Kashmir, the only predominantly Muslim state in the overwhelmingly Hindu nation.

In the most visible signs of the guerrilla war, Indian-held Srinagar has been transformed into a virtual armed camp, with Indian Army bunkers at every major Srinagar street intersection, night curfews, frequent bombings and shootings. Human rights organizations say that Indian troops have brutalized the people of Kashmir through rapes, torture and summary executions. At the same time, the militant groups attacked and killed Hindus living in the Kashmir Valley, forcing many from their homes, and routinely threaten and extort money from the residents who remain.

According to human rights organizations, as many as 20,000 people have been killed since 1989. Other victims have remained all but invisible to

the outside world, with low intensity gun battles erupting almost daily in remote, mountainous areas.

Today, in the aftermath of the nuclear explosions on both sides of the border, Pakistani-controlled Kashmir is as tense as at any point in the last several years. For years now, the residents of Chokothi and mountainous villages that speckle the lush green countryside have endured nearly constant machinegun fire, artillery barrages and occasional mortar rounds.

Villagers describe a hellish lifestyle in their deceptively bucolic valley. A farm laborer said all 60 houses in his village have been abandoned. Farmers complained that they have been unable to cultivate their fields for fear of being gunned down, noting that since many farmers could not plant their crops, families now have to money to spend in the tiny stalls that line the main street, selling brightly colored fabrics, boxes of cookies or light bulbs.

The 'European Network' Strives for International Flavor

By Craig R. Whitney
New York Times Service

STRASBOURG — Most Europeans still think of themselves as French, German, Italian, British or whatever first and European second. Even the weather reports on the nightly television news in any country seldom report what is happening just across the border. So building a truly European public television station was a mighty challenge for Arte when it started six years ago.

Arte, a Franco-German cultural broadcasting channel based in this European city, now transmits cultural and public affairs programming in French and German by satellite to 50 million homes from North Africa and Israel to Scandinavia. The programming is produced by the French, German, Belgian, Swiss, Spanish, Austrian and Polish partners.

Symbolically based in a Rhineland city claimed by both France and Ger-

many over the centuries and last fought over in World War II, the Arte consortium has a budget of \$280 million, most of it provided from the television tax that France and Germany levy on all set owners.

The original French and German stations that set up Arte produce most of what it uses, but it has its own Spanish production facilities scattered over this Alsatian capital. The people who run it say they want to do for European cultural television what CNN and Britain's Sky News have done for commercial news television, but in a distinctively European way.

"We said from the beginning that although we were a Franco-German enterprise, our future lay in Europe," said Hans Robert Eisenhauer, the station's deputy program director. "In the future, we'd like to be developing more extensive links with British producers at the BBC or Channel Four television, because without English you can't have a truly European network," he said.

You probably can't do it by broadcasting only in the evening, either, as Arte has had to do because of limits on available broadcast time in Germany. There, Kinderkanal, a public channel for children, suddenly metamorphosed into grown-up Arte at 7 P.M. In France, as La Sept/Arte, it shares space until then with La Cinquieme, a public channel with which it may eventually merge. In both countries, it continues until the small hours of the morning.

Satellite and German cable subscribers can zap onto either the French or the German soundtrack as they like, a possibility that French technology does not yet permit. But Arte is not for everybody. It had an average market share of 3.3 percent in France last year and only 0.6 percent in Germany, where more channels compete for viewer attention.

Officials of the station here take comfort from surveys showing that 27 million people of continental Europe watched regularly last year. Still, with more than 300 million European citizens,

there's obviously a long way to go. "In both France and Germany today, there is far more national programming, particularly in movies, than there was 10 years ago," said Andreas Schreimüller, who commissions movies for Arte and is German like Eisenhauer.

WHEN European leaders defend European culture against the influx of Hollywood entertainment, Schreimüller said, the result is the production of more French, German, Italian, etc. television movies and entertainment programs, not more "European" ones. Arte tries for a more international flavor; for the end of this year, it has commissioned a series of hour-long films by African, European, Brazilian, Canadian and Taiwanese directors called "The Collection 2000 Seen by..." What the films have in common, Schreimüller said, is at least one scene dealing with the final minutes of the 20th century year hence. For instance, Don McK-

ellar's Canadian entry, "Last Night," has the world end promptly with 1999. "What we're always looking for is a new perspective, a new way of looking at things," he said. "Internationalism is a big part of that."

All the movies Arte broadcasts have to be prepared with two soundtracks, in French and German, or if in English, with French and German subtitles. "We're also thinking of doing a 10-week family soap series that would take place in the cities that have been designated European cultural capitals," Schreimüller said. "One episode might play in Cracow, the next in Bologna, the next in Avignon, in Santiago de Compostela and so on," he said.

Arte aspires to be cultural television, and high culture at that, but isn't afraid to poke fun at itself, particularly with its logos and promotion spots. One of them features an actor posing as George Harrison in Liverpool or Herbert von Karajan in Bayreuth, always of course making a pitch for Arte programs, under the

slogan, "Arte looks at Europe, and Europe watches Arte."

"We have a serious image, and we want that, but we don't want to scare off people by making them think we're elitist," said Henri L. Hostis, who leads a team of graphic artists that produces Arte spots. Three times a week, three, four or five consecutive evening programs are devoted to aspects of a single subject. "Falsifications: Appearance and Reality" last January, for instance, started with Helmut Dietl's 1991 film "Schtonk," a satire based on a Hitler diary hoax that fooled the weekly magazine Stern, among others, in 1983. The evening of fakery continued through two documentaries on Konrad Kujau, the counterfeiter who pulled off the diary fraud. It ended with a game that tested viewers' own credulity, quizzing them and then giving the answers after a documentary that showed how easy it is to manipulate photographs and videotapes electronically.

A Triumphant 'Sly' in Zurich

By David Stevens
International Herald Tribune

ZURICH — Never mind the Three Tenors. In a recent two-week period the Zurich Opera had the Four Tenors on tap, something most impresarios can only dream of, but which here took place in the context of the busy schedule of a medium-sized repertory house.

Luciano Pavarotti, Plácido Domingo and Alfredo Kraus passed through town quickly, but Jose Carreras took on a major career challenge, triumphantly so, in the title role of a new production of a real rarity, Ermanno Wolf-Ferrari's "Sly."

Wolf-Ferrari is himself something of a rarity. Born to his paternal Munich and maternal Venice, with periods of refuge in Zurich in the two World Wars, he returned to his native Venice as a "tired pilgrim," in the words of the plaque on the house where he died in 1948.

The composer is most characteristic in his five settings of plays by Carlo Goldoni (a fellow Venetian of earlier vintage), in which his elegance and charm in writing for the voice and skill in handling the orchestra are winning.

"Sly" is a different matter altogether. First performed at La Scala in 1927, it is on one level a shot at verismo, but beyond that a real attempt at music drama. Giovacchino Forzano, Puccini's collaborator on "Gianni Schicchi," concocted the book from the brief, al-

most never performed "induction" to Shakespeare's "Taming of the Shrew," but much expanded.

In Shakespeare, Christopher Sly is a tavern toper who is the victim of a nobleman's practical joke — he is taken dead drunk to the noble's castle and when he awakens is made to believe he is really the aristocratic owner of the premises who has been asleep for years.

In the opera the joke is developed and given a tragic twist. The character of Sly encompasses two literary-theatrical legends — that of the long-distance sleeper awakened and that of the dissolute but gifted poet, not unlike Brecht's Baal. Dolly, the nobleman's girlfriend, pretends to be Sly's wife who has long awaited his reawakening, but actually falls in love with him. But when the joke is over, Sly is thrown into the castle's dungeon and kills himself, unable to believe in her sincerity.

Despite the composer's adroit use of musical pastiche, this is an uncharacteristic work in which he seems to be speaking a different language. It requires a huge cast of drunks, servants, hangers-on and various "dubious individuals." In short, it requires a real production.

There are four major roles, of which the tenor title part is at center stage most of the time, culminating in a daunting final act monologue. It is not a high-ranking part but it calls for real stamina, and Carreras carried it off heroically.

Juan Pons was the formidably wicked

Earl of Westmoreland, author of the deadly prank. Daniela Dessi was the ambivalent Dolly, and Carlos Chausson was John Plake, an actor, fellow drinker and true believer in Sly's gifts as a poet. Rafael Fruhbeck de Burgos as the conductor made the most of a sometimes dense and difficult score.

The three acts include a tavern, a castle with an elaborate charade for the awakened Sly and a final dungeon scene. Hans Hollmann's staging, Hans Hoffer's sets and Dirk von Bodisco's rich costumes all made solid contributions in behalf of this little-known but solid piece of music theater.

But the Zurich Opera, with about 300 performances a season, does not live by novelties alone. Alexander Pereira, the company's director, has to be and is skilled both at long-range artistic planning and at fielding emergencies.

At a matinee performance of Donizetti's "L'Elisir d'Amore," the scheduled tenor was replaced by Reinaldo Macias, a Cuban-born American, who won a well-earned triumph, along with Isabel Rey as Adina, Angelo Vecchia as Belcore and Chausson the adroit Dulcamara.

Another house tenor, the Bulgarian Boiko Zvetanov, was impressive in a double-bill that paired "Pagliacci" and Puccini's "Le Villi," an early work based on the same material as the ballet "Giselle," with the tenor danced to death by the spirits of girls abandoned before marriage.



David Burke, Sara Kestelman and Matthew Marsh in Michael Frayn's "Copenhagen" at the National Theatre.

Frayn and the Birth of the Bomb

By Sheridan Morley
International Herald Tribune

LONDON — With unnerving topicality, the National Theatre premiere of Michael Frayn's "Copenhagen" opened within hours of the news that Pakistan had flexed its nuclear muscle: a publicist would have been hard-pressed to find a headline better suited to the theme of this difficult, demanding (of actors and audiences alike) study of the birth of atomic physics and the balance of world power that was irrevocably shifted by its application in 1945.

Frayn's partnership with the director Michael Blakemore, over six plays and almost 30 years, has given us the classic backstage farce "Noises Off" among much else, but never anything quite so demanding or in the end powerfully rewarding as this. We have only three characters on a bare, circular, white set: all are real-life, though Frayn acknowledges that this is in no sense a documentary and that their dialogue, their motives, even maybe some of their encounters, are of his own invention.

The three are the German physicist Werner Heisenberg (Matthew Marsh), his friend and mentor and sometime rival Niels Bohr (David Burke) and Bohr's wife (Sara Kestelman), who at the last awakens the two men to their true selves and to the real consequences of their

seemingly obscure scientific developments.

To have written a debate that is also a thriller, and an examination of the painful birth of atomic physics is a considerable achievement, albeit one that works on so many levels that there are moments of inevitable collision.

At one of these levels, "Copenhagen" is about the fact that only one (possibly deliberate) failure of calculation stopped Germany from getting to the atom bomb three years before Hiroshima; at another, it is about the constant struggle between pure science and impure, ambitious, self-serving scientists; at yet a third, it is about two men whose passion for their subject overrides any human relationship either has ever known.

Elsewhere, it is somewhat ironic that the Barbican Arts Centre should at last have begun to acquire an identity and excitement all its own only as the Royal Shakespeare Company pulls out and leaves it for much of the year to other occupants. Moreover, "Love's Fire" by the Acting Company, one of the United States' most distinguished and innovative groups of players, offers something so quintessentially Shakespearean that the RSC, forever desperately trying to find contemporary relevance in the Bard, should have thought of it years ago.

Take seven of Shakespeare's sonnets,

give each one to a major dramatist and see what brief sketches they can weave around them. Inevitably some of these work better than others, notably Wendy Wasserstein's brilliantly acid Manhattan cocktail party to illustrate the verse about festering lies smelling far worse than weeds. William Finn (of "Falsettos") contributes a moving mini-musical, and Tony Kushner has a Woody Allenish parody of psychoanalysis at its most neurotic. On the downside is a disappointing John Guare lunch back to the "Hair" 'y '60s, but a powerful company under Mark Lamos's agile direction is hugely welcome over here.

And finally, the Orange Tree at Richmond revisits Kander and Ebb's 1984 musical "The Rink." John Gardner has come up with a brilliantly new staging on a space so small that the roller-skating arena seems to have been built in downtown Lilliput. Gay Soper and Gillian Kirkpatrick slug out the mother-versus-daughter plot, such as it is in Terrence McNally's uncharacteristically shaky book, but song after song soars out of this lament for the long-lost fairground world of colored lights and boardwalks. "The Rink" may never achieve the success of the same team's "Cabaret" or "Chicago," but its magical, heartbreaking score remains one of the greatest of recent years, and the definition of Kander and Ebb at their considerable bittersweet best.

Prediction Rings True in Dresden

By George W. Loomis

DRESDEN — When the Dresden Music Festival began operations in 1978, Herbert von Karajan predicted it would be one of the handful of music festivals fortune would favor.

Perhaps it was just an exercise in East-West diplomacy, but his prognostication was on target. Under Michael Hampe, director since 1994, the two-week festival observes its 20th anniversary with full houses and much to choose from. Connections with the Saxon State Opera insure international-caliber opera, while the festival's own events embrace everything from period-instruments to the latest contemporary scores.

Matthias Pintscher's "Thomas Chatterton," given its world premiere by the SSO, is the latest opera to address homoerotic love. Chatterton was an 18-year-old English writer who passed off his work as that of a fictitious monk and, once discovered, committed suicide. But the opera is as much about his relationship with his lovers (who happen to be brothers) as his artistic quandary.

The 27-year-old Pintscher, a student of Hans Werner Henze and Manfred Trojahn, has mastered the high-strung style of modern musical Expressionism with dazzling brilliance, but channeling it into effective musico-dramatic discourse posed a challenge not always met. Even the more ecstatic moments could not entirely shake the prevailing gloom.

Marco Arturo Marelli's striking production set the action in a skewed rectangular box. As Thomas, Urban Malmberg cut a shiftless, Wozzeck-like

figure. Matthias Klink projected clearly in the dual role of the brothers, and Annette Jahns impressed as Thomas's beleaguered mother. Marc Albrecht seemed to have the complex score securely under control.

Siegfried Mathus's "Farinelli," the festival's other new opera, offered more in the way of sheer enjoyment. The male alto Alex Kahler, who took the title role of the 18th-century castrato singer, also offered an engaging program of songs, enlivened by works of lesser Baroque figures like J.V. Goerner. His recital took place in the rebuilt crypt of the Frauenkirche, the colossal domed church that was demolished during the war. Reconstruction of the entire edifice is expected by 2006; in the meantime, its original stones patiently await reassembly on steel racks stretched across the Neumarkt.

The task may seem next to impossible, but one can only be optimistic given the magnificence of the re-built Semper Opera House, to which the SSO returned in 1985. Udo Samel's new production of "Aida" had Dresden talking about a new cast member, a crocodile in the Nile Scene. Samel transformed the action into a modern, Middle Eastern conflict. Yet the essence of Verdi's opera (with Michele Crida and Ulla Sippola among the singers, Marcello Viotti conducting) seemed hardly disturbed, perhaps because Bernard Kleber's pastel-shaded Egyptian images and vibrant desert sunsets seemed so apt.

The SSO's excellent orchestra supplies personnel for the renowned Staatskapelle, but the city's other orchestra, the Philharmonie, is reclaiming much of its past glory, which included a year (1888) when Brahms, Dvorak, Strauss

and Tchaikovsky appeared as guest conductors.

Dresden observes that fine tradition of scheduling orchestral concerts at 11 A.M., and the Philharmonie's handsomely spacious performance of Schubert's "Great Symphony" under Jeffrey Tate was just right for the occasion. Early opera profited this year from the conductor Stephen Stubbs's diligence in ferreting out versions of the Orpheus myth. Having taken Luigi Rossi's "Orfeo" to Boston and Drottningholm last year, he turned to Antonio Sartorio's version from 1672.

THOSE expecting a Gluck-like economy of means were in for a surprise, for Sartorio's opera (performed in concert) has all the accoutrements of Venetian opera, including comic scenes, plus much of the mythical background. Orfeo loses Euridice for good following his ill-considered glance, but a partially happy ending materializes when his brother (also smitten by Euridice) yields to the entreaties of another.

The many arias are striking for their lush string textures and sprightly rhythms, all realized by Stubbs and his Teatro Lyrico with consummate style. Suzie Le Blanc's enchanting Euridice headed the fine cast.

Hampe will leave the festival in 2000 to devote more time to directing operas. By selecting Martin y Soler's "Una Cosa Rara" for his penultimate season next year, he promises another installment in his exemplary series of operas by Mozart's contemporaries.

George W. Loomis is a music writer based in St. Petersburg.

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29 Win Grants From MacArthur

New York Times Service

NEW YORK — Leonard Zeskind of Kansas City, Missouri, has been working for 20 years to increase awareness of hate groups, and in 1983 he founded the Institute for Research and Education on Human Rights.

Now, with a \$295,000 windfall as a MacArthur Fellow, he hopes to complete his book on the white supremacist movement in the United States.

Zeskind, 48, is among the 29 new MacArthur Fellows announced Monday by the John D. and Catherine T. MacArthur Foundation of Chicago, which awards stipends to innovators to liberate them from financial constraints.

Winners cannot nominate themselves. A group of 100 or more anonymous people chosen each year from a wide range of fields nominate potential recipients to the foundation's directors, who select the winners. The program began in 1981.

In addition to Zeskind, the fellows for 1998 are:

Janine Antoni, 34, New York, an artist who mixes traditional sculpture and conceptual art, \$225,000.
Ida Applebrock, 48, New York, a painter and social critic, \$375,000.
Ellen Barry, 44, Oakland, California, director and managing attorney of Legal Services for Prisoners with Children, \$275,000.
Tim Berners-Lee, 43, Lexington, Massachusetts, who conceived and developed the World Wide Web, \$270,000.
Linda Blais, 53, Bainbridge Island, Washington, a poet of historically detailed work, \$220,000.
Bernadette Broderick, 47, Cambridge, Massachusetts, a professor of religion who has provided new interpretations of patterns of power, social structure and morality in ancient communities, \$290,000.
John Corliss, 41, Chicago, an esthetician who designs, builds and uses instruments to solve esthetic problems, \$260,000.
Mike Davis, 52, Pasadena, California, a historian who writes on urban, political, environmental and social issues, \$315,000.
Nancy Folbre, 45, Montague, Massachusetts, an economist who explores how nonmarket production contributes to community development and economic growth, \$280,000.
Avner Greif, 42, Stanford, California, an economist who uses game theory to study beliefs and institutions, \$245,000.
Kun-Liang Guan, 35, Ann Arbor, Michigan, a biochemist whose research has helped to explain how cells regulate internal processes and how they respond to external conditions, \$230,000.
Gary Hill, 47, Seattle, a video artist who has helped define his generation, \$270,000.
Edward Hirsch, 48, Houston, a poet and essayist, \$295,000.
Aysha Jalil, 42, New York, a historian whose books have illuminated the history and culture of Pakistan and India, \$265,000.
Charles Johnson, 50, Seattle, a novelist, short-story writer, essayist, cartoonist and screenwriter whose works address fundamental philosophical questions, \$305,000.
Leah Krulitzer, 37, Davis, California, a neuroscientist whose studies have helped explain the relationship between brain organization and function, \$240,000.
Stewart Kwoh, 49, Los Angeles, a lawyer and human rights leader for the area's Asian population, \$300,000.
Charles Lewis, 44, Alexandria, Virginia, founder and executive director of the Center for Public Integrity, a nonprofit organization that produces book-length reports on such issues and organizations as airline safety, the Forest Service and the chemical industry, \$275,000.
William McDonald, 46, Douglas, Arizona, a cattle rancher who is leading efforts to create ecologically responsible cooperation among government, conservationists, scientists and ranchers, \$265,000.
Peter Miller, 33, Berlin, a German scholar of early modern European intellectual history, \$220,000.
Don Mitchell, 36, Syracuse, New York, a cultural geographer whose studies illustrate how landscapes are frequently a social construction influenced by human labor, \$235,000.
Rebecca Nelson, 37, Lima, Peru, a plant pathologist concerned with the protection of staple food crops in underdeveloped countries, \$240,000.
Elmer Ochs, 53, Pacific Palisades, California, a linguistic anthropologist who has made major contributions to linguistics, science studies, sociocultural anthropology and psychology, \$220,000.
Isham Reed, 60, Oakland, California, a novelist, playwright, poet and publisher of the works of minority authors, \$245,000.
Benjamin Santer, 43, Livermore, California, an atmospheric scientist whose research supports the finding that human activity contributes to global warming, \$270,000.
Karl Sims, 36, Cambridge, Massachusetts, a computer scientist and pioneer in the field of computational evolution, \$235,000.
Dorothy Thomas, 38, New York, a human rights advocate and women's rights leader, \$245,000.
Mary Zimmerman, 37, Evanston, Illinois, a director and playwright who adapts seemingly untheatrical source material from classic world literature, \$240,000.

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API	High	Low	Set	Chg	Open
WTI, 1 million, per 100 cpl					
Jun 96	94.970	94.920	94.940	-0.030	236.135
Jul 96	95.860	95.690	95.670	-0.100	194.867
Aug 96	95.730	95.590	95.570	-0.160	150.185
Mar 97	95.930	95.790	95.930	-0.100	204.177
Set prices: \$4,681. Prev. sales: \$8,569					
Prev. open int.: 911,025 Int. 4,022					
Industrials					
COTTON 3 MONTHS					
50,000 lbs. 100 cpl					
Jul 96	74.370	72.90	73.10	-0.49	25.528
Aug 96	74.370	72.90	73.10	-0.25	4.692
Dec 96	74.370	72.90	73.10	-0.42	36.842
Mar 97	75.555	74.00	74.50	-0.24	76.494
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HEATING OIL (NMR)					
42 gal. 100 cpl					
Jul 96	48.10	49.30	49.44	-0.18	55.645
Aug 96	47.35	48.30	48.61	-0.21	22.616
Sep 96	47.35	48.30	48.61	-0.21	13.848
Oct 96	48.30	49.36	49.76	-0.21	13.848
Nov 96	48.30	49.36	49.76	-0.21	11.290
Dec 96	47.00	46.41	47.21	-0.16	17.261
Jan 97	48.10	47.41	47.51	-0.14	76.761
Set prices: \$2.50, 2.515					
Open int. bid 184,837, up 66					
LIGHT SWEET CRUDE (NMR)					
1,000 bbl. 100 cpl					
Jul 96	15.70	15.43	15.45	-0.11	61.785
Aug 96	16.70	16.15	16.45	-0.11	107.161
Sep 96	16.49	15.88	15.95	-0.02	10.450
Oct 96	16.25	15.51	15.70	-0.05	2.585
Nov 96	16.47	15.98	16.63	-0.02	13.248
Dec 96	16.97	16.28	16.50	-0.02	47.448
Set sales: N.A. Morns sales 102,453					
Morns open int. 439,491, up 5,915					
NATURAL GAS (NMR)					
100 cu ft. per 100 cpl					
Jul 96	2.45	2.135	2.154	-0.035	44.236
Aug 96	2.345	2.180	2.210	-0.029	25.923
Sep 96	2.345	2.135	2.202	-0.043	18.621
Oct 96	2.315	2.215	2.283	-0.027	18.621
Nov 96	2.315	2.215	2.283	-0.027	18.621
Dec 96	2.455	2.060	2.097	-0.012	14.322
Set sales: N.A. Morns sales 54,543					
Morns open int. 233,676, up 290					
UNLEADED GASOLINE (NMR)					
42.00 gal. 100 cpl					
Jul 96	31.00	30.51	30.21	-0.20	47.715
Aug 96	31.00	30.51	30.21	-0.20	36.715
Sep 96	31.00	30.51	30.21	-0.20	24.615
Oct 96	31.00	30.51	30.21	-0.20	24.615
Nov 96	30.60	30.20	30.22	-0.25	3.677
Dec 96	30.60	30.20	30.22	-0.25	3.677
Jan 97	30.60	30.20	30.22	-0.25	3.677
Feb 97	30.60	30.20	30.22	-0.25	3.677
Set sales: N.A. Morns sales 20,010					
Morns open int. 24,000					
GASOIL (PFC)					
U.S. dollars per metric ton - bids of 100 tons					
Jul 96	122.50	121.00	121.25	-0.20	24.888
Aug 96	122.50	120.25	120.25	-0.25	18.903
Sep 96	122.50	120.25	120.25	-0.25	18.903
Oct 96	122.50	120.25	120.25	-0.25	18.903
Nov 96					

هكذا من الرجل

ine Jitters Halt
Dollar's Gain
Against Yen

EUROPE

Central Bank Buoyed Rand With Pledge

JOHANNESBURG — Six consecutive days of loss were halted in South Africa on Tuesday, with the rand, bonds and stocks posting a recovery as the central bank vowed to defend the currency.

The governor of the Reserve Bank, Chris Stals, at a conference in Vienna, said that fundamentals remained strong and that the central bank had reserves of 42 billion rand (\$8.09 billion) to stave off another assault like the one that forced the rand to a record low Monday.

But traders said the outlook for the rand remained grave. South African markets have been battered by a deepening crisis in confidence in emerging markets worldwide that economists said coincided with renewed worry over the country's fragile growth.

The central bank had raised its marginal lending facility to 35 percent Tuesday from 28 percent in a bid to shore up the currency. The rate rise pushed the benchmark all-share index 46 points higher, to 7,527.90.

"I think the international situation took priority over the domestic situation," Mr. Stals said. "I think we can still justify lower interest rates."

The dollar finished at 5.173 rand on Monday, down from 5.193 rand on Monday, when the central bank said it would borrow 7.9 billion rand in May to shore up the rand, driving net reserves down 33 percent to 15.8 billion rand.

Traders say the rand still faces concern over the news the central bank had dug deep to defend the currency last month still dogging its outlook.

"The reserves data was very serious," said a foreign exchange dealer at a foreign bank in Johannesburg. (Reuters, Bloomberg)

A Nordic Paper Giant Is Born

Stora to Acquire Finnish Rival in \$3.3 Billion Purchase

HELSINKI — Stora AB, a Swedish forest-products company, agreed Tuesday to buy Enso Oyj, its Finnish rival, in a deal that would form one of the world's biggest paper makers.

Stora shareholders will own 60 percent of the new company after the acquisition, Direkt, a local news service, reported. It did not give further details. The purchase is worth at least \$3.3 billion, or Enso's market value.

The Finnish government, which owns 44 percent of Enso, approved the sale Tuesday and will ask Parliament for final clearance.

Together, the two companies will produce about 13 million tons of paper and board, matching Jefferson Smurfit Corp. after its purchase of Stone Container Corp.

"In this industry, size is im-

portant," said Anders Jarheim, Scandinavian equity fund manager at Oehman Fonder in Stockholm.

Stora's market capitalization is about \$5 billion.

Trading in Enso and Stora shares was suspended during the talks, but shares of other Nordic papermakers rose on expectations of further consolidation of the industry.

Paper companies around the world are combining to raise profit through economies of scale. The price of pulp, a benchmark product used to make paper, is down 4 percent this year at about \$550 a ton, or half what it cost in 1995.

The deal would enable Enso to gain a foothold in emerging markets, particularly in South America and in Asia, through alliances made by Stora. In return, Stora would be able to carry out all of its trading in the planned European

single currency because Finland is one of the 11 European Union countries that have qualified to use the euro at its introduction Jan. 1.

The new company will have about 3.8 percent of the global paper and board market, topping International Paper Co.'s 3 percent, although falling just below Jefferson and Stone's joint 4 percent, according to Salomon Brothers Inc. and Stora.

Together, Stora and Enso have a market value of 46 billion markkaa (\$8.5 billion). They had sales of about \$1.5 billion each in the first quarter. Their combined 1997 sales were \$11 billion.

"It's good when there are fewer players on the market because then overinvestment and overproduction can be kept in check," said Gustav Lucander of Aros Securities. (Bloomberg, Reuters)

GEC Alsthom to Sell Up to 56% of Shares

PARIS — GEC Alsthom said Tuesday that up to 56 percent of its shares would be sold in a 26.6 billion franc (\$4.46 billion) initial public offering as it seeks to develop independently of its parent companies.

GEC Alsthom and its two shareholders — Alcatel Alsthom of France and General Electric Co. of Britain — will sell up to 120.96 million shares at between 190 francs and 220 francs each in what will be Europe's largest nonprivatization initial public offering. If all options are exercised, the sale will cut the stake of Alcatel and GEC to 21 percent each, from 50 percent each.

The company said it would re-name itself Alstom.

The share sale will let GEC Alsthom, known for its TGV high-speed trains, expand on its own without first having to seek approval from its parent companies, which have differed about the direction of the company. GEC Alsthom said it would seek acquisitions and alliances to unseat Adtranz AG as the world's top maker of trains and ABB Asea Brown Boveri Ltd. as the leader in energy-distribution equipment.

"This is a company with strong leadership positions in several sectors — it's a large issue of unquestionable quality," said Jean-Claude Petit of Barclays Asset Management France.

Investors were able to start placing orders Tuesday, with shareholders in

Alcatel and GEC having priority. The offer, which must still be cleared by the French stock market regulator, is expected to close June 19 and the final price is to be set June 20.

Shares are to start trading June 22 in Paris, New York and London. The company, whose principal exchange will be Paris, is expected to become part of the CAC-40 index.

Alstom will also increase its capital through the issue of about 11 million new shares. Including the capital increase, about 52 percent to 57 percent of the company will be floated. GEC Alsthom posted a net profit of 302 million European currency units (\$407.1 million) in 1997 on sales of 11.1 billion Ecus. (Bloomberg, AFP)

Fiat Offers Romiti Stock In 2 Units

MILAN — Cesare Romiti, the departing chairman of Fiat SpA, has been given the option to buy Fiat's stake in Gemina SpA and in Holding di Partecipazioni Industriali SpA, known as HDP, the companies involved said Tuesday.

Mr. Romiti will leave Fiat this month after reaching the mandatory retirement age. He confirmed Tuesday that he would head HDP's RCS Editori unit, the publisher of two of Italy's widest-selling newspapers, Corriere della Sera and Gazzetta dello Sport.

Fiat offered Mr. Romiti the option of buying 5.5 percent of HDP, which also owns the fashion house Valentino and the clothing maker GFT. Mr. Romiti was also offered Fiat's 18.8 percent stake in Gemina, which controlled HDP until 1997.

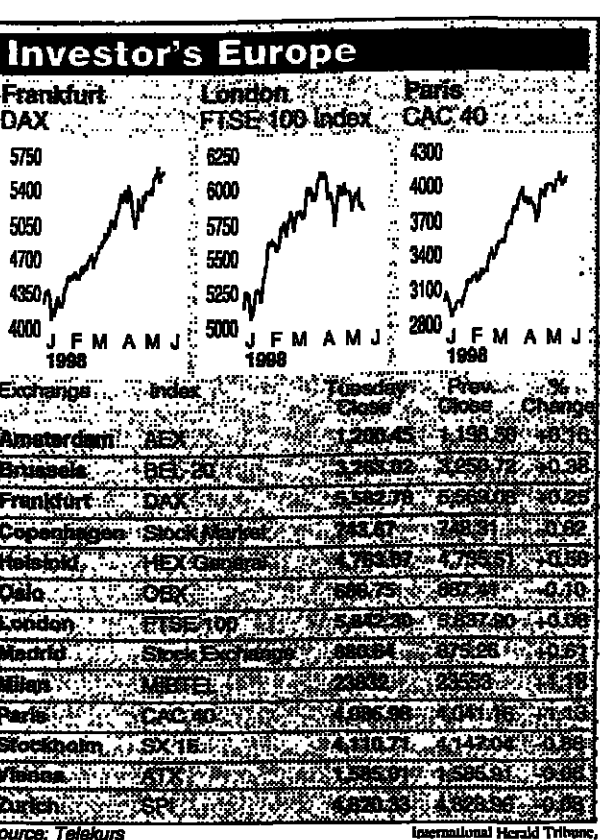
"Investors are betting that Romiti's arrival heralds some moves to unite Gemina and HDP again, or other projects that will add value to the company's assets," said Corrado Berlanda, a stock market analyst at Euroconsult SIM in Milan.

HDP's shares rose 29 lire, to 1,612 (92 cents), while Gemina gained 67 lire, to 1,578, and Fiat rose 135 lire, to 7,810.

Talk that HDP may move RCS, which it owns, into a separately traded company and sell its shares on the market helped the stock, said Carlo Scamozzi, an analyst at Monte Paschi Mercato in Milan.

"RCS will improve a lot under Romiti," said Gaetano Afelella, a board member.

Fiat said it granted Mr. Romiti an option to buy 2 percent of HDP by July 15, at average May stock prices, and a further 3.5 percent by Dec. 31, 2000, at the average price of the month in which the option is exercised.



Very briefly:

- Vickers PLC, which has agreed to sell its Rolls-Royce Motor Cars Ltd. unit to Volkswagen AG for £430 million (\$704 million), said the process could be delayed several months if shareholders do not approve the sale Friday. Depending on the outcome, VW said it was considering turning its Czech subsidiary Skoda AS into a maker of luxury cars.
- ABB Asea Brown Boveri Ltd., the Swiss-Swedish engineering company, its power unit ABB Kraft AS and Siemens AG have been reported to police on suspicion of illegal price fixing by Norway's competition watchdog.
- National Grid Group PLC, which runs Britain's power transmission network, said pre-tax profit for the year ended March 31 before exceptional items was £467.7 million, down from £591.4 million the previous year.
- Camelot Group PLC's profit for the year that ended in March rose 14 percent, to £80.9 million, as the operator of the British lottery saw sales rise 15 percent to £5.51 billion.
- Spain's jobless rate, as measured by the National Statistics Institute in a survey of households, fell to 19.28 percent in the three months through April, from 19.63 percent in the three months through March. (Bloomberg, AFP, Reuters)

WORLD STOCK MARKETS

Tuesday, June 2

Daily prices in local currencies.

Telecom

High Low Close Prev.

Amsterdam

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ASIA/PACIFIC

Hong Kong Reprimands Morgan Stanley

By Philip Segal
International Herald Tribune

HONG KONG — The Hong Kong securities regulator reprimanded Morgan Stanley & Co. on Tuesday, saying the investment bank was guilty of misconduct in a high-profile deal and had "impugned its fitness and propriety to be registered" as an investment advisor.

The unusual public rebuke by the Securities and Futures Commission, which provides no sanctions, involves a transaction last year in which one of China's high-flying "red chip" companies in Hong Kong — China Everbright — had already received a rare challenge from the regulator as well as from the stock exchange.

Red chips, which are China-based companies incorporated in Hong Kong but backed by the Beijing government, were the sub-

ject of a speculative craze last year until the Asian financial crisis.

The securities commission said that Morgan Stanley in May 1997 failed to disclose to the market its expectations that China Everbright IHD-Pacific — one of several Everbright group companies listed in Hong Kong and since renamed China Everbright Ltd. — would receive permission to take a 20 percent stake in the parent company's bank. The acquisition, a month later, proved popular with investors because it marked the first time that foreigners could invest indirectly in a mainland commercial bank.

Morgan Stanley "did not fulfill its regulatory responsibility to ensure that the public was told this information," the regulator said. The investment bank, it added, "failed to ensure that IHD disclosed to the public information that was material to the investing public's consideration

whether or not to invest in IHD."

"We are aware of the SFC's reprimand and strongly disagree with their findings," a Morgan Stanley spokesman said. "Contrary to the SFC's statement in its press release, Morgan Stanley Asia had no expectations whatsoever that regulatory approvals would be granted shortly in China to allow IHD to acquire a stake in the Everbright Bank of China."

China Everbright Group declined to comment.

Morgan Stanley insists it breached no guidelines because there were no guidelines to follow.

"We therefore think it is inappropriate for the SFC to use disciplinary action to set guidelines retrospectively," the spokesman said.

But the regulator disagreed, saying, "The commission has concluded after careful consideration that Morgan Stanley knew what was required of it as a registered in-

vestment adviser and failed to meet such requirements."

This is not the first time that regulators have investigated the deal. Last year, the Securities and Futures Commission blocked a rights issue worth 1.9 billion Hong Kong dollars (\$245.2 million) proposed by China Everbright on the grounds that the company was too vague in stating why it needed to raise the money.

The company told the stock exchange that the proceeds would be used for "general working capital," but rumors began flying that it was seeking the Everbright bank stake. On the day that the acquisition of the bank stake was announced, shares in Everbright IHD rose by 37 percent.

Everbright is backed by the State Council, or cabinet, in Beijing. Its chairman is Zhu Xiaohua, a former deputy governor of the People's Bank of China and a protégé of Prime Minister Zhu Rongji.

Strike Puts Ford Bid at Risk, Kia Says

By Don Kirk
International Herald Tribune

SEOUL — The top executive of Kia Motors Corp. said Tuesday that Ford Motor Co. was interested in acquiring a majority stake in the struggling South Korean automaker, but he warned that labor unrest could threaten a deal.

Yoo Chong Ryeol, appointed chairman by a court a month ago as Kia went into receivership, said Ford was forming a consortium with Mazda Motors Corp. and other companies to bid for a stake. Ford already owns 9.6 percent of Kia, while Mazda owns 6.7 percent. Ford also owns 33 percent of Mazda.

Mr. Yoo said Ford was a last hope for Kia, which is saddled with debts of more than 10 trillion won (\$7.16 billion). But he warned that a strike by workers at the company's two main plants could torpedo the deal.

"If the labor relationship is not resolved," Mr. Yoo said, "Ford will consider differently with regard to cooperation with Kia."

The walkout by 14,000 workers since Monday has added urgency to the struggle of a company that fell to No. 3 from No. 2 among Korean automakers after admitting it could not pay its debts and applying for receivership nearly a year ago.

Kia had made clear its strong opposition to a takeover by Hyundai Motor Co., the No. 1 automaker. Ford has broken off talks with Samsung Motor Co., which went into production in March.

Mr. Yoo spoke here last month with the vice chairman of Ford, Wayne Booker. He goes to Tokyo next week for more talks.

"Should Ford take over Kia, Ford will use Kia for producing Kia's cars under the Ford name," said Lee Chong Dae, president of the Kia Research Institute. "Kia's export volume will increase drastically."

"We're willing to do what we can to help Kia return to global competitiveness," a Ford spokesman told Bloomberg News. "Under certain circumstances, we're willing to look at increasing our investment in Kia."

He declined to specify those conditions.

Ford executives have said they want to protect their investment and preserve the flow of vehicles the company receives from Kia. But they have ruled out increasing Ford's stake if it requires shouldering Kia's huge debt.

Investor's Asia			
Hong Kong Hang Seng	Singapore Straits Times	Tokyo Nikkei 225	
11750	1750	17800	
11000	1600	16400	
10250	1450	15800	
9500	1300	15200	
8750	1150	14600	
8000	1000	14000	
1998	1998	1998	
Exchange	Index	Yesterday's Close	% Change
Hong Kong	Hang Seng	12,071.2	-2.23
Singapore	Straits Times	1,207.12	-0.23
Sydney	ASX Composite	2,471.10	-0.87
Tokyo	Nikkei 225	15,948.42	-1.58
Kuala Lumpur	Composite	529.81	-0.50
Bangkok	SET	313.64	-0.18
Seoul	Composite Index	324.10	-3.74
Taipei	Stock Market Index	7,665.64	-0.59
Manila	PSE	1,946.08	-2.50
Jakarta	Composite Index	3,295.99	-0.50
Wellington	NZSE-40	2,174.98	-0.98
Bombay	Sensitive Index	3,573.21	-0.88

Very briefly:

- China's state-run railways will be reorganized and downsized to reduce costs and trim losses that have climbed to 16 billion yuan (\$1.93 billion) over the last four years, the railways minister said.
- Evergreen Group dropped plans to buy at least six long-range A340 aircraft worth \$900 million from Airbus Industrie. The parent company of Eva Airways Ltd. said ship and aircraft purchases were on hold until Asia emerges from its economic slump.
- The Electronic Industries Association of Japan said the worldwide semiconductor market will weaken in 1998 due to the Asian financial crisis but its long-term outlook remains good, especially in Asia.
- Malaysia's securities regulator said it would give WK Securities Sdn. two weeks to find a merger partner. The brokerage's trading activities were suspended April 1 after it was found to have failed to "regularize its financial position."
- Suez Lyonnaise des Eaux SA will buy the 60 percent of PT Garuda Dipta Semesta it does not yet own as it seeks to regain the rights to provide water to half of Jakarta. The outstanding stake in the water utility is owned by the family of Anthony Salim, a longtime friend of former President Suharto.
- PT Astra International posted a first-quarter loss of 2.26 trillion rupiah (\$195.2 million), hurt by foreign exchange charges stemming from the rupiah's plunge. In the first quarter of 1997, the carmaker had a net profit of 119.8 billion rupiah.
- Pakistani shares rebounded as bargain hunters returned to prop up the market after it plunged 12.4 percent in its first day of trading after the country's nuclear tests. The benchmark index finished up 21.02 points, or 2.2 percent, at 932.46.
- The Petroleum Association of Japan said combined current, or pretax, profits of the 10 leading oil companies totaled 12.5 billion yen (\$90.1 million) in the year that ended March 31, a 66.8 percent decline from the previous year, due to lower prices.

Taiwan Markets Take No Heart From Stimulus

Compiled by Lee Staff From Dispatches

TAIPEI — The stock and currency markets dropped Tuesday to their lowest levels in five months as a government package of stock stimulus measures fell short of investors' expectations, analysts said.

The benchmark stock index finished down 40.61 points, or 0.53 percent, at 7,565.64.

The Taiwan dollar, undermined chiefly by the yen's weakness, also sank, with the U.S. dollar rising in local trading to 34.339 Taiwan dollars from 34.23 dollars on Monday.

The double decline dealt what analysts called an embarrassing blow to the government after officials announced a series of stimulus measures.

The Finance Ministry said it would speed approval of both foreign equity funds and local mutual funds.

The government needs to take more bold moves to boost investors' confidence, said David Wu of President Investment Trust Corp.

The central bank has said there was no economic reason for the Taiwan dollar to follow the embattled yen's slide.

(Reuters, Bloomberg)

FUTURIST: Firm Draws Clients With Chief's Rosy Vision

Continued from Page 13

founded Global Business Network in 1988. "Everybody wanted the Shell magic," he recalled.

Global Business Network is no ordinary consulting firm. Based in Emeryville, California, where it occupies a converted factory in the shadow of the Bay Bridge, GBN is eclectic if not eccentric. Its character is evident in the backgrounds of its five founders.

Besides Mr. Schwartz, they are Jay Ogilvy, a former philosophy teacher at Yale University who was in charge of values and lifestyles research at SRI International; Napier Collyns, who spent 30 years in Shell's planning group; Stewart Brand, creator of the Whole Earth Catalog and a founder of the Well computer network; and Lawrence Wilkinson, former president of Colossal Pictures.

Today, Global Business Network is a small but thriving specialist firm. Compared with such mainstream consultants as McKinsey & Co. or Andersen Consulting, it is minuscule. Revenue is running at \$10 million a year, about double the level in 1994, while staff has also doubled, to 55 people. (McKinsey says it has 4,500 consultants in 81 countries.)

The consultancy has roughly 100 clients, about half of which sent executives to the company's four-day annual conference in San Francisco last month. The client list is as eclectic as the firm, ranging from International Business Machines Inc.

and AT&T Corp. to the Pentagon, the government of Singapore and the National Education Association.

The conference concluded with an advance screening of the Dreamworks SKG movie "Deep Impact," which has since become a box-office hit. Global Business Network worked with Dreamworks on developing the film, and Mr. Schwartz and a few other firm members are mentioned in the film's credits.

At the San Francisco conference, four scenarios for the next decade were presented as narratives for the participants to read and debate. They ranged from crisis and decline to an equivalent of the Long Boom, all rendered in imaginative detail.

In the gloom-and-doom scenario, for example, the year 2000 computer bug and global warming are culprits in the tailspin. The European Union is shattered, the Middle East has water shortages, oil prices surge and inflation is ignited. In 2003, the scenario said, "The Dow plummeted from 10,000 to 6,000 in a matter of months." In Mexico, the economy crumbles. South American drug cartels move in, guerrilla wars flare and refugees flood north. "In 2010," the scenario asserted, "President Wilson sent in the U.S. Army to establish order in Mexico."

Certainly provocative and undoubtedly more entertaining than most business reading, but what use is this kind of thing to corporations? Most companies say the scenarios — whether broad ones, like those presented at the San Francisco con-

ference, or ones tailored for specific industries or nations — are useful mainly as complementary planning tools.

Daniel McGrath, a business strategy consultant at IBM, said the scenarios sketched out "causative chains that stretch your imagination and broaden your thinking."

Global Business Network tries to broaden its own thinking through a network of about 100 people in diverse fields. They include Francis Fukuyama, the political scientist; Bruce Sterling, a science fiction writer; and Donella Meadows, an environmentalist. Yet the membership roster is heavy with technophiles, including Danny Hillis, a computer scientist and research fellow at Walt Disney Co.; Esther Dyson, an author and newsletter publisher; and John Gage, chief scientist at Sun Microsystems Inc.

For \$35,000 a year, corporate clients get to join members of the network on the company's private web site to discuss all sorts of subjects, from the future of the car to computing's millennium bug.

In addition, clients are mailed two books a month, selected by Mr. Schwartz and Mr. Brand.

"We've basically solved the problem of executives' reading guilt," Mr. Schwartz said. Recent selections include "Remaking Eden," about cloning, by Lee Silver, and "The Commanding Heights," a history of the triumph of free-market policies by Daniel Yergin and Joseph Stanislaw.

Slump in Property Prices to Cut Hong Kong GDP, Bank Predicts

Agence France-Presse

HONG KONG — A collapse in Hong Kong's property prices has hit the local economy hard, knocking 1.35 trillion Hong Kong dollars (\$174.2 billion) off the total value of private apartments, according to Hang Seng Bank Ltd.

The report by the region's leading bank forecast that the property market collapse would knock at least two percentage points off gross domestic product growth this year. It said a swift recovery was unlikely.

The report, issued late Monday, said that at the peak of the market in 1997, the value of the total stock of private homes was worth about 3.87 trillion dollars.

Since then, prices have slumped 35 percent, wiping out 1.35 trillion dollars in property values, equivalent to about 50 percent of total deposits in the banking system, Hang Seng Bank said.

It said that because of the huge increase in private property ownership over the last decade, the downturn would have a much more severe impact on the economy than the previous slump, in 1982-84. Hang Seng Bank said there had been a change in the public's perception of government housing policy.

It pointed to Chief Executive Tung Chee-hwa's pledge to meet housing demand by building at least 85,000 apartments a year.

"The perception of the fundamental change in government policies toward land and housing is beginning to change the long-held belief that property prices can keep going up and up," it said.

But the report said that the correction in property prices, which had surged 65 percent from 1996 to the third quarter of 1997, was necessary and inevitable. It said, however, that the collapse was now becoming a serious problem for the economy.

Financial Secretary Donald Tsang has announced plans to stimulate the economy, including scrapping anti-speculation measures in the property markets and moves to increase liquidity in the banking system.

JAPAN PACIFIC FUND

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AVIS DE CONVOCATION

Mesdames et Messieurs les Actionnaires sont convoqués par le présent avis à l'Assemblée Générale Statutaire de notre Société, qui aura lieu le 17 juin 1998 à 15.30 heures au siège social avec l'ordre du jour suivant :

ORDRE DU JOUR

- Rapports du Conseil d'Administration et du Réviseur d'Entreprises.
- Approbation des comptes arrêtés au 31 mars 1998 et fixation du dividende.
- Décharge aux Administrateurs.
- Réélection de Monsieur Marcel Giuglaris, Gan-Vie, représentée par Messieurs Daniel Fruchart et Philippe Delaby, la Compagnie Financière de Cio et de l'Union Européenne, représentée par Messieurs Edouard Mensat et Philippe Camère, la Caisse des Dépôts et Consignations, représentée par Madame Dominique Delaporte, Messieurs Bernard Fauché et Bruno Bontrouille et la Financière et Immobilière, représentée par Monsieur Carlo Schiesser comme Administrateurs pour un nouveau terme statutaire de trois ans, expirant à l'Assemblée Générale Statutaire de 2001.
- Acceptation de la démission d'un Administrateur.
- Divers.

Les décisions concernant tous les points de l'ordre du jour ne requerront aucun quorum. Elles seront prises à la simple majorité des actions présentes ou représentées à l'Assemblée. Chaque action donne droit à un vote. Tout actionnaire peut se faire représenter à l'Assemblée.

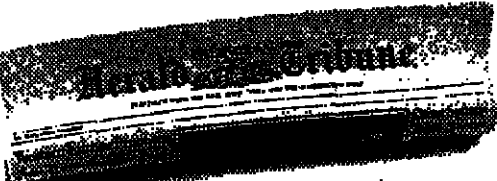
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THE WORLD'S DAILY NEWSPAPER

For an
entrée

to fine

dining

peruse

THE INTERMARKET

The Dining Out section of Saturday's Intermarket pages is where well-traveled food lovers find well-regarded restaurants. So whether you're looking for top cuisine, or indeed top clientele, you'll meet at the Intermarket. Bon appetit!

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THE WORLD'S DAILY NEWSPAPER

NASDAQ

The 1,000 most traded National Market securities in terms of dollar value, updated twice a year.

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(Continued)

12 month		Div 16 PE 1992-93		Liquidity Change	
Year	Loss	Year	Loss	Year	Loss
20	21	21	21	21	21
21	21	21	21	21	21
22	21	21	21	21	21
23	21	21	21	21	21
24	21	21	21	21	21
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26	21	21	21	21	21
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100	21	21	21	21	21

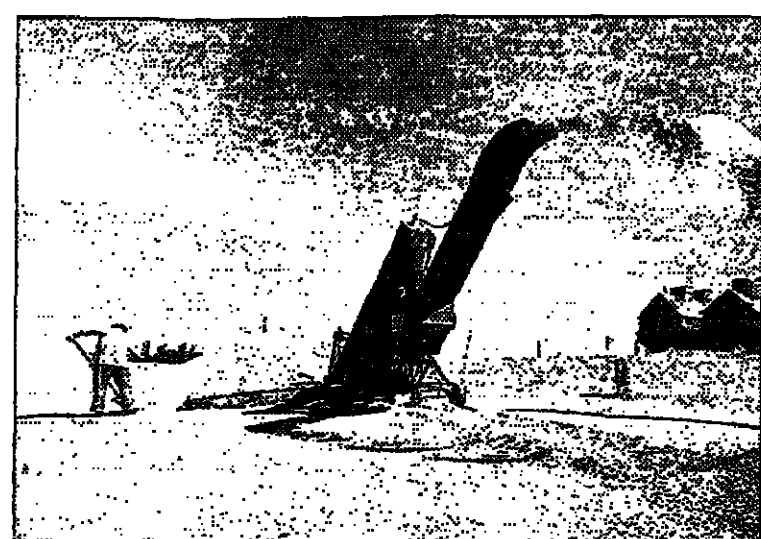
Month	Stock	Div	Yld	PE	52-Week High	Low	Latest	Change
27	Amgen	1.18	3.0	19	345	274	274	274
28	Amgen	1.18	3.0	19	345	274	274	274
29	Amgen	1.18	3.0	19	345	274	274	274
30	Amgen	1.18	3.0	19	345	274	274	274
31	Amgen	1.18	3.0	19	345	274	274	274
32	Amgen	1.18	3.0	19	345	274	274	274
33	Amgen	1.18	3.0	19	345	274	274	274
34	Amgen	1.18	3.0	19	345	274	274	274
35	Amgen	1.18	3.0	19	345	274	274	274
36	Amgen	1.18	3.0	19	345	274	274	274
37	Amgen	1.18	3.0	19	345	274	274	274
38	Amgen	1.18	3.0	19	345	274	274	274
39	Amgen	1.18	3.0	19	345	274	274	274
40	Amgen	1.18	3.0	19	345	274	274	274
41	Amgen	1.18	3.0	19	345	274	274	274
42	Amgen	1.18	3.0	19	345	274	274	274
43	Amgen	1.18	3.0	19	345	274	274	274
44	Amgen	1.18	3.0	19	345	274	274	274
45	Amgen	1.18	3.0	19	345	274	274	274
46	Amgen	1.18	3.0	19	345	274	274	274
47	Amgen	1.18	3.0	19	345	274	274	274
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97	Amgen	1.18	3.0	19	345	274	274	274
98	Amgen	1.18	3.0	19	345	274	274	274
99	Amgen	1.18	3.0	19	345	274	274	274
100	Amgen	1.18	3.0	19	345	274	274	274

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150 من الاصل

KAZAKHSTAN

A vision for the future:
Kazakhstan is building on its hard-earned economic strength and political stability to forge a new economy based on free market competition and technological advances. The country's strengths include vast natural resources, a large pool of skilled labor and a long history of specialization in energy, manufacturing and agribusiness, while its emerging capital markets and opportunities for privatization continue to attract high levels of foreign investment. Kazakhstan is deeply committed to regional cooperation and promises to be a force for stability and prosperity in the CIS and the region at large.



FROM COOPERATION TO PARTNERSHIP

An interview with Nursultan Nazarbayev, president of the Republic of Kazakhstan.

Now that Kazakhstan is recovering, would you consider raising finance on the international markets to help you to continue developing your economy?

Today, I have all the grounds to assert that the most dangerous path on the road toward a market economy has been passed. The Kazakhstan economy is recovering, and there are signs of growth. It is hard to overestimate the part that foreign investments have played in this process. We have achieved macroeconomic stabilization and now have the possibility to resolve the social problems accumulated during those hard years. We can also start creating conditions for the development of smaller and medium-sized businesses, for reforming the rural economy and resolving concrete aims for certain enterprises.



Our country is showing an active readiness to deepen cooperation throughout the region. We take part in such economic associations as the Central Asia Union, the Economic Cooperation Organization and the Customs Alliance. These organizations provide an additional bridge that helps us integrate into the international community. This policy allows us to recover, and there are signs of growth. It is hard to overestimate the part that foreign investments have played in this process. We have achieved macroeconomic stabilization and now have the possibility to resolve the social problems accumulated during those hard years. We can also start creating conditions for the development of smaller and medium-sized businesses, for reforming the rural economy and resolving concrete aims for certain enterprises.

BUILDING A PLACE IN THE SUN

Kazakhstan has made huge strides since achieving independence.

Less than seven years after becoming an independent state, the Republic of Kazakhstan has embarked on a period of economic growth, with a stable currency, dramatically reduced inflation and new legislation to protect and encourage foreign investment. The country's wealth of natural resources, including fertile agricultural land, rich fishing grounds, abundant animal herds, gold, silver, uranium and coal, and huge deposits of oil and gas are now being developed for export to international markets and to serve the domestic population of 16.4 million. Democratic reforms are continuing, as is the country's commitment to making full use of its educated and skilled workforce.

Located between Europe and China, Kazakhstan is physically impressive. The vast grasslands of the steppe spread across much of the country. The southeast boasts the magnificent snow-covered Tien Shan and Altai mountain ranges, first crossed by caravans traveling the 4,000-mile Silk Road in the 2nd century B.C. In between are the long river valleys and lakes, bordered in the west by the Caspian Sea. Altogether, its territory covers 2.7 million square kilometers, making Kazakhstan the ninth largest country in the world.

Like many of the states in the former Soviet Union, the country is recovering from 70 years of outside domination and the disruption of trade routes, the disappearance of markets and supply lines, the abolition of transfer payments and the collapse of established institutions that followed independence in 1991.

Last autumn, President Nursultan Nazarbayev, who has headed the country since independence, announced a long-term strategy looking ahead to the year 2030. It emphasizes liberal reforms and the integration of the country into the global market economy.

The country's industries, he maintains, must "work under new conditions, producing not a gross output as it used to be in Soviet times, but high quality goods and services that obey the laws of competition." He adds: "The investment climate of this

country into the global market economy. The country's industries, he maintains, must "work under new conditions, producing not a gross output as it used to be in Soviet times, but high quality goods and services that obey the laws of competition." He adds: "The investment climate of this

You missed Texas in the 20s.
You missed Saudi Arabia in the 50s.
Now, let's talk about Kazakhstan.

Kazakhstan. Huge oil reserves. Very investor friendly. A brilliant future. A great opportunity. We're Hurricane Hydrocarbons, a Canadian oil and gas exploration company producing oil in Kazakhstan - a lot of oil.

When the Republic of Kazakhstan opened its doors to international corporations, Hurricane was among the first investors.

Seven years ago, we became a partner in the first joint venture between the government of Kazakhstan and western companies. Hurricane operates in the south-central region of Kyzylorda. Our oil reserves have been estimated at 429 million barrels and are producing approximately 60,000 barrels of oil per day.

With capital expenditures and the introduction of new oil recovery methods, we are contributing to Kazakhstan's vibrant oil industry, and to the future of our employees and the communities in which we work.

But oil is not our only interest in Kazakhstan. Hurricane is also committed to contributing to the future of the country. For example, we sponsor both professional and amateur musicians and artists. We provide recreational and educational activities for children, like Hurricane's refurbished Arai-Sunrise Youth Summer Camp. Anywhere we can, we're helping to build Kazakhstan.

Kazakhstan has a glorious future. To be part of it, contact us at website: <http://www.hurricane-hhl.com> or any of our offices listed below.



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KAZAKHSTAN

FROM COOPERATION TO PARTNERSHIP

Continued from page 19

Since the risk of economic rivalry and find more profitable projects. We don't think that integration will threaten sovereignty in any way; on the contrary, sovereignty will be strengthened. In particular, the possibility of choosing partners for the transportation of hydrocarbons is an excellent index of economic independence.

We signed the first pipeline contract from Tengiz to Novorossiysk with Russia, a traditional economic and political partner of Kazakhstan. Last year, we signed a gigantic contract for the construction of a pipeline from West Kazakhstan to Xinjiang Uygur Autonomous Region with China. Six more oil and gas transportation proposals are being studied.

Naturally, when choosing partners, we are ruled above all by economic considerations. But with joint projects comes spiritual rapprochement; personal contacts become closer and new suggestions for future cooperation emerge. Our motto is: "From cooperation to partnership."

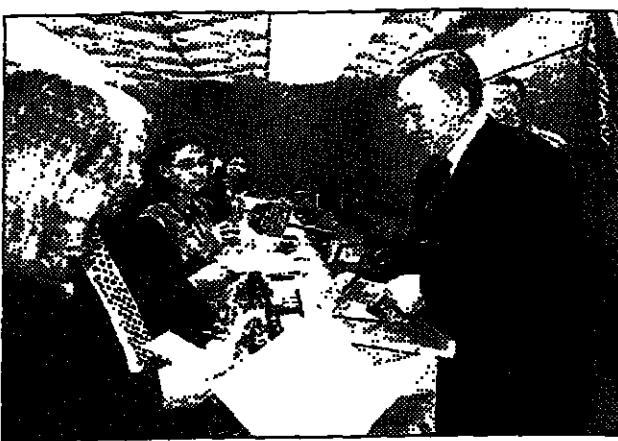
After a successful privatization program, a review is under way. While foreign investment is important, how can you increase this and, at the same time, achieve a balance with domestic investment so that Kazakh companies can also benefit from the country's enormous potential?

The question of domestic investment and the encouragement of Kazakhstan business on the whole is becoming increasingly important. The number of dynamically growing companies that would like to sponsor industrial projects is increasing in Kazakhstan. There are some strong joint ventures. Nevertheless, I don't think it's right to render privileged support to domestic investors by creating favorable conditions for them. They have to compete for projects equally with foreign companies.

Recently, the Kazakhstan Investors consortium, which includes several large companies and banks, has been formed. They managed to win a 100 percent shareholding of the very big — to our measure — TuranAlemBank, which can invest in really large projects. As you can see, the process has started. The strength of domestic investors will increase with the growth of our economy. And if they beat foreign companies in tenders for projects, we will only welcome it. Besides, our companies know the market better, and we don't have any doubt that they will reinvest their profits.

How can foreign investments be directed to sectors outside the oil and gas areas?

Up until now, 30-40 percent of all foreign investment has been in the oil and gas industry. The rest has been directed to metallurgy, energy, gold extraction, transportation and communications, and construction. True, the development of our oil resources on the Caspian shelf, our onshore oil and gas fields, and the construction of pipelines will increase in-



The president signing copies of his "Strategy to the Year 2030."

vestments in the oil and gas branch, but the attractiveness of other sectors of the Kazakhstan economy will not suffer from that. Today, it is very important for us to attract investment for the development of small and medium-sized businesses. It's not only an economic need, but also a most important political task, because a strong middle class guarantees both economic stability and the strength of democratic traditions.

How can foreign investors be protected from bureaucracy and the possibility of corruption?

We know that corruption is strong where the bureaucrat is strong. A year and a half ago, I initiated the adoption of a specific law on the state protection of direct investments. In addition to the law, I issued a decree on forming a special government body — the State Investment Committee. This body is functioning as a "one-stop shop" so as to rid the potential investor of tedious and long bureaucratic procedures. The regulations are clear-cut, transparent and give no opportunity for any abuse.



Local traditions are strong among Kazakhstan's people.

FAVORABLE BUSINESS ENVIRONMENT DRAWS INTERNATIONAL INVESTORS

The country offers streamlined procedures and a one-stop shop for investors.

Kazakhstan's efforts to attract foreign investment, both direct and indirect, have already paid off handsomely. But now the government is making it even easier for investors by setting up a "one-stop shop" through the State Investment Committee (SCI) to offer incentives, eliminate red tape, streamline procedures and remove anomalies in the interpretation of laws and regulations.

Direct foreign investment has accelerated since 1993, thanks in part to the country's privatization program and the restructuring of basic industries, with European, North American and Asian companies assuming the management, marketing and operational activities of vital oil and gas, manufacturing, mining, transport and utility companies. Inward flows virtually doubled from the \$640 million recorded in 1994 to an estimated \$1.2 billion last year, according to figures produced by the SCI. This year, they are forecast to rise still further, to \$1.7 billion.

International names

Names known around the world, such as IBM, Siemens, Bristol-Myers Squibb, Coca-Cola and Philip Morris, have joined a host of international oil and gas companies eager to participate in the country's future. Indirect investment has also increased rapidly, with U.S. funds such as Fidelity and Templeton buying into Kazakh equity, along with specialist players such as Global Securities of Turkey, Regent Pacific of Hong Kong and Kazakhstan's own Kazkommerts Securities.

In their wake have come the stalwarts of the international banking scene. Dutch bank ABN AMRO was the first international house to acquire a full banking license in the country, working in partnership with Kazkommertsbank. It was followed by Société Générale of France, which obtained a full license in January. Citibank of the United States hopes to follow suit later this year, along with ING Barings, another Dutch institution.

Three German institutions — Deutsche Bank, Dresdner Bank and Commerzbank, have set up representative offices in the commercial capital, Almaty. International investment bankers, including Merrill Lynch, Salomon Brothers, Credit Suisse First Boston, Lazard Freres, Hongkong and Shanghai Bank and BZW Barclays, are queuing up to participate in the state of corporate Eurobonds expected to be launched this year, as well as in the privatization program. Halfik Savings Bank of Kazakhstan (HKSAB) held its road show last month for a \$100 million bond lead-managed by Lehman Brothers of the United States.

Middle Eastern investors are also becoming increasingly involved. Sheikh Amr A. Dabbagh, the president and CEO of Saudi Arabia's Dabbagh Group, was appointed by President Nazarbayev in May, 1996 as Kazakhstan's honorary consul for the kingdom in recognition of his work to promote foreign investment in Kazakhstan. The group has been operating in the country since 1993, developing hotels, airlines, telecommunications, housing and trading activities.

There are stumbling blocks, however. The fall in world oil prices, for example, has raised doubts about some projects Kazakhstan would like to go ahead with, using funds provided by foreign investors. The SCI has already made it clear that it stands by ready to help protect investors against

such risks if necessary. SCI Chairman Oraz Jandosov, who is also the country's first deputy prime minister, has been quoted as saying that the government is considering "relaxing fiscal procedures and removing limitations on the freedom of oil company operations."

The SCI, explains Minister and Executive Director Anvar Saidenov, is also particularly interested in ensuring that "there are procedures in law for transparent tenders." While he is doubtful that privatization "should be an objective in itself," especially if state-owned companies are profitable, he sees the involvement of the private sector as a way to "improve corporate governance in finance and in industry."

Strong legislation

The basic legislation required has already been passed. The 1994 Foreign Investment Law, which was amended in May, 1997, sets forth guarantees for investors regarding the repatriation of profits, while a law on State Support for Direct Investment, ratified last year, establishes preferential treatment for direct investors. Two of these incentives are tax incentives — including a reduction of up to 100 percent in the rates applied to land, property and corporate taxes — and rights to concessions.

Foreign companies are now also free to own up to 100 percent of the equity in any venture established in the country. Infrastructure, process industries, agriculture and manufacturing and service industries in the new capital, Astana, are all on the priority list for investment incentives.

Nevertheless, SCI officials accept that much still needs to be done to overcome delays in obtaining licenses, permits and exemptions, and access to key officials. Widespread complaints about arbitrary demands for excessive tax payments also need to be addressed, as does the need to promote the country's interests abroad effectively and efficiently.

At present, the committee is concentrating on three main areas of activity, explains Doulat Kuanyshov, director of the SCI: developing up-to-date legislation in line with international norms, ensuring that legislation reflects actual practice and creating clear procedures for both bureaucrats and investors to avoid misinterpretation of the laws.

"According to legislation adopted in February 1997, we have enough power to do this," he says. Mr. Jandosov's position as first deputy prime minister and the fact that the SCI is an autonomous body reporting directly to the cabinet and the president provide further assurances of the SCI's new role.

The new generation of officials, including Mr. Jandosov, share common views about the importance of open disclosure, efficient methods of governing and common practices for all. Although many are new to their positions, they have broad experience in respected institutions such as the National Bank of Kazakhstan, the country's central bank.

Foreign investors seem to be impressed.

"The government continues to be committed to moving from basically a command to a free market economy," observes John Komarnicki, president and CEO of Hurricane Hydrocarbons, a Canadian company that is developing an important onshore oil field in south central Kazakhstan. "They are on the leading edge of social and economic reform in the former Soviet Union."

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KAZAKHSTAN

FACT AND FIGURES

Official name: Republic of Kazakhstan			
Head of state: President Nursultan Nazarbayev			
Capital: Astana			
Language: Kazakh (official); Russian widely spoken			
Population: 16.4 million			
Area: 2.7 million square kilometers			
Currency: The tenge (76.5 to the dollar)			
Economic indicators			
	1996	1997	1998 (forecast)
GDP growth (percent change)	1.1	2.2	3.0
Consumer prices (percent change)	39.2	17.7	14.5
Government budget deficit (percent of GDP)	2.5	3.4	5.5
Trade balance (U.S.\$ billions)	-0.3	-0.5	1.2
Exports (U.S.\$ billions)	6.3	6.8	7.0
Foreign direct investment (net) (U.S.\$ billions)	1.1	1.2	1.7

Source: The European Bank for Reconstruction and Development, 1998

CAPITAL MARKETS: BLUE CHIPS AND IPOs

Although the Kazakhstan Stock Exchange, which began operations last September, is still in its infancy, the country's capital markets are set to develop rapidly within the next two years. The government's commitment to privatizing its holdings in major industries through public issues is a major factor promoting future expansion, as is the establishment of private pension funds.

The legal framework for the creation of a securities market was completed last year and is based on "Western standards of disclosure," reports Gregory Vojack of Bracewell & Patterson, the U.S. law firm that has won a contract from the U.S. Agency for International Development (USAID) to help draft the required legislation.

Three separate laws establish an independent regulator — the National Securities Commission (NSC) — and introduce international concepts such as the principal of nominal shareholdings and the issuance of securities in electronic form. Special provisions to facilitate the entry of institutional investors have already attracted interest from fund managers in Europe, the Middle East and North America. To encourage foreign investors, the government has eliminated taxes on their securities transactions and capital gains.

Four trading tiers have been designated for the exchange. A "blue chip" segment is reserved for companies that have been in existence for at least three years, have 500 shareholders or more, two years of audited

accounts completed in accordance with international auditing standards and a minimum capital of \$1 million. A second tier has less stringent requirements, while others provide for a pre-listing board and an over-the-counter market.

At present, only one local concern, Kazkommertsbank, is traded in the top tier, but the chairman of the NSC, Aben Bektasov, expects "that there will be about five enterprises, primarily banks" in the top "A" category and "about 10 enterprises" in the second, or "B" category by the end of the year.

Confirmation that the government intends to proceed with the privatization of its minority holdings in five blue chip oil and industrial firms this year has sparked renewed interest in the market after fears that the program might be delayed. Agreements were signed by the Ministry of Finance in mid-May with several financial houses to manage the flotations.

Credit Suisse First Boston (CSFB) of the United States, together with Greenwich Capital Management of the United Kingdom and the local Halyk Savings Bank, was selected for the sale of 5 percent to 7 percent of the government's 30 percent holding in Mangistaumunaigas, the country's largest oil and gas producer.

They have also won a mandate for the sale of 17 percent of Zhezkagatsvetmet, which is majority owned by Samsung of Korea. The company produces 70 percent of Kazakhstan's copper, most of which is exported to Europe and Asia.

Kazkommerts Securities, the leading local investment company, together with Turkish-based Global Securities, won a mandate for two other sales: Aktobemunaigas — the fourth largest oil and gas producer — and the Ust-Kamenogorsk Titanium and Magnesium Plant. A third firm, Banco Santander, may also be invited to work on the sale of the oil company, according to reports in Astana.

A mandate is also expected to be issued for the management of a public offering of shares in Kazakhtelecom, in which the state holds 50 percent and institutional shareholders 40 percent. Bankers in Astana say the Dutch bank ABN AMRO is expected to receive a contract to arrange the sale once a restructuring of KT's equity is confirmed by the Ministry of Finance.

Additional blue chip sales are planned for next year, once the required audits are completed. "They may include 10 to 12 companies that will circulate in the secondary market," says Minister of Finance Sauat Mynbaev. Around 10 percent of shares in the state-owned company KazakhOil may also be sold, he adds.

Public offerings
In addition, the NSC hopes to launch a "second echelon" of public offerings and direct sales in non-strategic industries such as textiles, food processing, soft drinks and alcoholic beverages (vodka and beer) as well as service companies, according to the NSC's assistant chairman, Nurdin Damitov.

Global Securities is already looking ahead to the new sales. "We want to participate in the next wave of privatizations and contemplate establishing a domestic branch network and regional brokerage houses in Astana and other oblasts [political subdivisions]," says



Finance Minister Sauat Mynbaev

Gregory Kiez, the firm's director of international business development in Istanbul.

Deutsche Bank is also expected to become a major player through a company it is setting up, Deutsche Securities Kazakhstan, to be headed by Grigori Marchenko, the former head of the NSC. "We are discussing 20 projects for initial public offerings [IPOs], pre-IPOs and mergers and acquisitions," he says.

The pension reforms, which came into effect in January, are also expected to increase trading on the exchange, according to NSC officials. A system was set up whereby 10 percent of the 25 percent that employers are required to deduct from employees' wages can be directed to either state or non-state funds. Although at least 50 percent of the non-state funds must be invested in state securities, up to 20 percent can be directed toward the top tier of companies registered on the exchange.

Umyt Shayakhmetova, a financial analyst at ABN AMRO, which has received a license to set up an asset management company to invest the funds, reports that, according to some estimates, the non-state funds should be able to attract some \$500 million during the next three years. By the end of March, however, the non-state funds had attracted only 1 billion tenge (\$13.2 million), while their state counterparts had accumulated 2.1 billion tenge, according to NSC figures. ●

STABILITY AND GROWTH: BUILDING A PLACE IN THE SUN

Continued from page 19

country and its economic perspectives allow us to make bold attempts to search for our place in the sun."

Strong indicators

Central to this strategy is the role played by the National Bank of Kazakhstan, which has gained international respect for its stabilization of the new national currency and its tight monetary policy as well as for its role in restructuring and privatizing state industries and the banking system. Inflation has plummeted from a rate of more than 1,000 percent in 1994 to 11.2 percent last year. This year, the figure is forecast to fall still further, to about 9.5 percent, according to Kadyrzhan Damitov, the governor of the bank. "We think this is achievable, and, in line with the government's program, we expect it to fall to between 5 and 6 percent in the next three years," he adds.

Real economic growth, which began with a 1.1 percent rise in 1996, doubled last year, according to official estimates, and would have been considerably higher were it not for the continued declines in the agricultural sector. This year, it is expected to reach 3 percent.

"Services are the fastest growing sector, and capital investment rose by 20 percent," Mr. Damitov notes. "The private sector now accounts for 70 percent of GDP."

According to the State Investment Committee, foreign direct investment is also a major factor in the resumption of growth. So far, the cumulative total amounts to almost \$4 billion; by early this year, it passed the critical threshold of 5 percent of GDP. The Ministry of Finance, which is responsible for government revenues, is also adhering to strict norms — in line with IMF guidelines — concerning fiscal policy. Despite a fall in the prices Kazakhstan receives for important commodity exports such as coal, wool and copper and estimates that revenues could decline by some \$150 million this year due to the fall in world oil prices alone, the budget deficit is expected to amount to no more than 5.5 percent of GDP.

Proceeds from the privatization program will help: they are expected to amount to 30 billion tenge (\$395 million) from sales this year, reports Minister of Finance Sauat Mynbaev. Another 15 billion tenge is due to be received from previous disposals.

Tax collection is also improving, despite the lack of access to computers, notes Jannat Ertesova, vice minister, Ministry of Finance. "We estimate modestly that 30 percent of GDP is produced in the parallel market, where mainly corporate tax is not collected." Revisions of the tax code and reform of the civil service has helped, she adds.

The economy's improved performance is now being recognized internationally. Fitch IBCA raised Kazakhstan's long-term foreign currency rating to BB in January, citing

two years of GDP growth and a 12 percent rise in oil production last year. As senior officials from Kazkommertsbank have noted, the move was especially remarkable given the downgrading of Russia and some of the Asian economies in the second half of last year. In November 1996, Kazakhstan became the second member of the CIS, after Russia, to receive an international rating.

Long-term prospects

The country is also one of only three former Soviet republics to have successfully borrowed on global capital markets. In December 1996, the government raised a sovereign three-year \$200 million Eurobond, which set a benchmark for its notes at 350 basis points above comparable U.S. Treasury paper, a respectable rate for an emerging market economy.

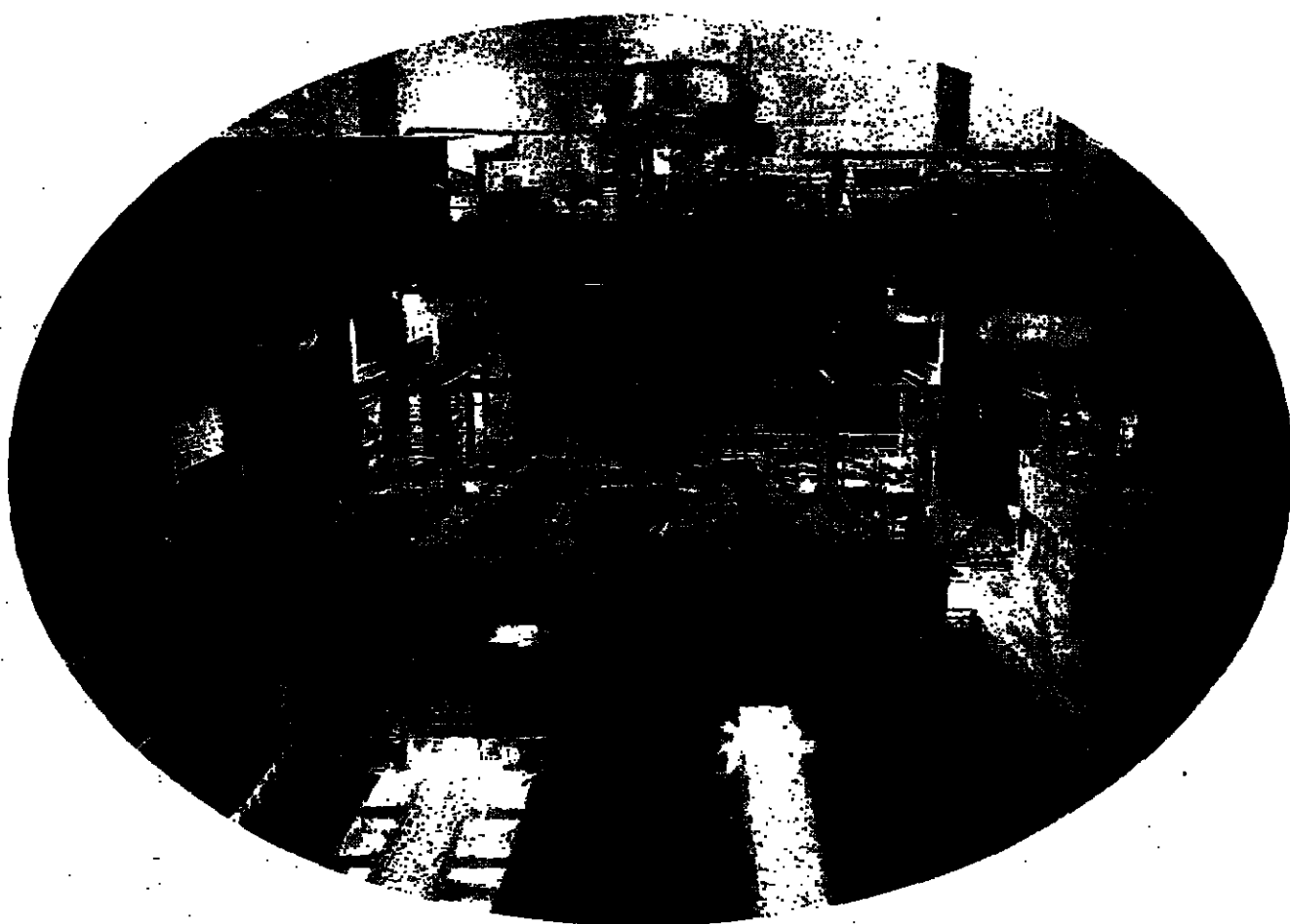
In October 1997, the country placed its second Eurobond offering of \$350 million with a spread of 245 basis points over U.S. Treasury bills. Plans are now under way to raise a third sovereign Eurobond this year, Mr. Mynbaev confirms. The date will be determined "by our success in pension reform and in privatization," he adds.

In the longer term, Kazakhstan can also look forward to the prospect of vastly increased earnings from its oil and gas exports. Efforts to resolve territorial disputes in the oil-rich waters of the northern Caspian Sea are making progress, with Russian President Boris Yeltsin due to sign a groundbreaking agreement with Kazakhstan in Astana in July.

"We see no major problem in the signing," said First Deputy Foreign Minister Yerlan Idrisov in late April after the meeting was initially postponed. The problems yet to be resolved, he adds, "are mainly procedural." ●



Oraz Jandarov, first deputy prime minister and chairman, State Investment Committee.



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Source: Metal Bulletin Journals 1997.

SPONSORED SECTION

KAZAKHSTAN

HIGH TECH TELECOMS: RINGING IN THE NEW

The telecommunications sector in Kazakhstan is still recovering from the Soviet era, but substantial progress is expected this year. The national operator, Kazakhtelecom (KKT), is being privatized, while a number of other operators are expanding their satellite-based systems to provide voice, data, e-mail and Internet access. A new fiber-optic cable linking Kazakhstan to the Trans-Asian-European (TAE) line is also due to begin operations.

Only about 12 of every 100 people in Kazakhstan have a telephone, compared to an average of 1.7 in Russia and between 25 and 30 in the Baltic states. The country's low population density — about six people per square mile — has often meant that services are only available in the major cities and industrial centers, while the cost of equipment and services is well above those of Western Europe or the United States.

Although Kazakhtelecom has the capacity to operate 2.4 million subscriber lines, only 1.9 million are active. The network of domestic and international exchanges, microwave relay lines, satellite earth stations and TV and radio transmitters inherited from the former Soviet network is out of date, and most of the equipment is incompatible with Western technology. Of the 45.5 million kilometers of trunk lines owned by Kazakhtelecom, only 5.6 million kilometers are transmitted digitally. Similarly, only 340,000 of the subscriber lines, about 14 percent, are digital.

KKT is planning to issue a series of tenders this year to modernize its equipment. "The objective is to create an integral digital network combining all of KKT's divisions and services," reports a spokesman at Kazkommertsbank, the company's bank. The cost is expected to amount to more than \$1 billion. Alcatel of France is providing technical advice and is expected to supply some of the equipment.

Part of this will be financed internally, thanks to a dramatic rise in the company's revenues as the Kazakh economy has begun to recover from the transition to an independent state.

Other funds are expected to come from the sale of equity to a strategic investor. While the South Korean company Daewoo had originally won the right to buy a 40 percent share, its own economic troubles at home have led to its withdrawal from KKT. U.S. and Kazakhstan banks are reportedly ready to take up the stake.

Meanwhile, tests are being carried out on the company's new international fiber-optic line, which covers 2,000 kilometers (1,240 miles) in Kazakhstan and connects with the 27,000-kilometer TAE running from Frankfurt to Shanghai.

The work of laying the cable through Southern Kazakhstan was completed in December at a cost of some \$6 million. Work on laying another fiber-optic cable to connect the new capital of Astana and Karaganda with Almaty is expected to start this year. When completed, it will link the Kazakhstani part of the TAE with Russia's Trans-Siberian network through an automatic exchange in Alekseevka, 120 kilometers north of Astana.

In the private sector, Nursat, a joint venture between Lucent Technologies of the United States and a local company, Kazinformtelecom, provides voice, data, video and Internet services throughout Kazakhstan via 1.1 nodes connected to the Intelsat 703 satellite.

The company is currently involved in installing state-of-the-art communications systems in many of the country's military and industrial sites under a grant from the U.S. government. Voice and voice-mail are provided to Europe, the Americas, Africa, the Middle East, the Far East, Australia and New Zealand at costs ranging from \$1.80 to \$3.45 per minute.

Astel (Ama-Sprint), a joint partnership of Kazakhtelecom and Data Pack of the United Kingdom, provides a full range of telecommunications services to banks, corporations, government ministries and the country's mass media through its access to the international Global One network. Tariffs are competitive, giving it a leading position in the market.

Sary-Arka, a joint stock company, also provides satellite communications, in partnership with IBM, MCI and AT&T of the United States, France Telecom, Deutsche Telekom, BT of the United Kingdom, Australia's Telstra, KDD and ITJ of Japan and Dacom of Korea, as well as other companies in the United Arab Emirates, the Czech Republic, Sweden, China, Italy, Turkey and Greece have signed agreements with KKT to provide direct international dialing via satellite.

Cellular services are available to 16,000 subscribers in 13 cities, but current demand is estimated to total 60,000. At present, there is no Global System for Mobile Communication (GSM), though a call for tenders has just been issued. Beset, the sole licensed provider, uses the analog AMPS.

Four paging systems, using either ERMES or POCSAG standards, exist in the commercial center of Almaty, serving a total of 7,000 subscribers. Again, demand far outweighs capacity. Kazkommertsbank, which is handling the restructuring of KKT, estimates that another 50,000 potential subscribers are waiting for such services.



AGRICULTURE IN THE REGION'S BREADBASKET

After years of post-Soviet decline, the Kazakhstan agricultural sector is starting to improve, along with the prospects for new agro-industries. While the country's extensive oil and gas reserves and metal and mineral resources have grabbed the headlines, its extensive farming belts in the north, south and eastern areas account for almost 30 percent of total gross domestic product.

With more than 40 percent of the population dependent on agriculture, fishing and animal husbandry for a living, reviving the sector is vitally important to ensuring basic living standards and state revenues.

This year, the government is planning to invest some \$210 million in providing

loans and credits to farmers, to be used for the creation of new storage facilities and the upgrading of equipment, distribution and marketing. Another \$55 million is being lent by international aid agencies to help restore irrigation facilities in the south.

Despite the chaotic conditions of the past few years, during which output has fallen dramatically due to the lack of fuel and electricity, and a shortage of financing, Kazakhstan remains one of the region's leading producers of grain.

In 1997, the harvest produced 12.3 million tons, up from 11.5 million tons in 1996 and 9.5 million tons in 1995. However, given favorable conditions, output could rise substantially, to 30 million tons a year, according to es-

timates produced early this year by Kazkommertsbank. Much of this would be high-quality wheat, similar to varieties exported from Canada.

The state-owned Food Corporation is now seeking to find new export markets to replace the sector's former dependence on the Soviet Union. Iran is seen as a potentially huge market, given its role as the world's number one importer of wheat. In March, Kazakhstan sent a test shipment of 5,000 tons to the country.

If importers are satisfied with the quality and reliability, the Food Corporation plans to invest in the building of a new 30,000-ton grain terminal at the Caspian seaport of Aktau, from which the wheat can be transported to the Iranian port of Bandar

Enzeli, 80 kilometers away. Transport costs, which currently amount to nearly \$50 a ton, would be cut to just \$20 a ton, according to government estimates.

China is another potentially huge market, as are Saudi Arabia and the Gulf states. In the meantime, however, Kazakhstan's neighboring countries will remain important buyers. In 1997, Russia bought 5.5 million tons of grain and Turkmenistan 500,000 tons. Another 1.2 million tons went to the Ukraine.

Another promising area is the south, where cotton, fruits, vegetables, tobacco and rice are cultivated, mainly on irrigated land. Kazkommertsbank is investing some \$25 million to help develop cotton production in the area, according to officials of the South Kazakhstan Oblast. Plans are also under way to develop a cotton exchange.

The development of new freezing units and marketing facilities is also helping to revive the country's important fishing sector. Resources include sturgeon, perch, carp, roach and shellfish from the Caspian Sea as well as 50 other varieties found in Kazakhstan's rivers.

A state-owned company, Atyraubalyk, has opened a new retail complex in the northern Caspian port of Atyrau. It features extensive shopping facilities, restaurants and leisure facilities to supplement the firm's domestic sales of fresh and frozen fish. In addition, Atyraubalyk's exports of sturgeon fillet to Germany have increased dramatically, as have its exports of caviar and smoked, frozen and dried fish to countries such as France, Switzerland and Spain. Profits in 1997 were expected to be more than \$50 million.

With its vast steppe lands, mountain valleys and foothills, Kazakhstan has traditionally supported extensive

herds of cows, sheep, camels and goats.

Horses, pigs and poultry are also important, but, as in the case of grain, the severe conditions of the past few years have led to a decline both in the number of animals and in the production of related products such as milk and wool. Government efforts to revive animal husbandry and to introduce new food processing facilities have been hampered by the need to restructure collective farms inherited from the Soviet era and by the lack of finance.

Kazkommertsbank is hopeful that private investors can be convinced of the country's potential in both agriculture and food processing. It has identified 400 projects suitable for consideration by both foreign and local investors. They include the construction of a \$50 million plant to produce baby milk powder in Volodarskoe, a \$40 million plant to produce citric acid in Kirovsky, and a \$17.8 million meat processing plant in Kostanai.

The bank is also seeking investors for a new \$25 million flour mill in Taldykorgan, near the capital of Almaty in the southeast. It will be capable of producing 150 tons a day. At present, flour consumed in the area must be transported from other parts of the country or from abroad at considerable cost to consumers.

Other feasible projects recommended by the bank include a \$25 million factory in Semipalatinsk to produce packaging materials, an \$18 million retail and food processing complex in Atyrau, a \$10 million food processing plant in Chimkent, a \$9.5 million factory in Almaty to produce tin sheet and cans, an \$8 million brewery in Pavlodar and a \$2.4 million refrigerated fish warehouse in Obolotrebaza, near Taldykorgan. ■

SUMMIT UNITES TOP BUSINESS AND POLITICAL LEADERS

Kazakhstan's remarkable achievements since independence just seven years ago include political stability, a return to economic growth and the establishment of a business environment highly favorable to foreign investment.

Well known as a source of immense natural resources, Kazakhstan also has investment opportunities in a wide range of sectors, including agriculture, metals, food processing, consumer goods, infrastructure and banking.

To discuss these growing opportunities, top business leaders and government officials will gather in Almaty on June 4-5 for the Kazakhstan Investment Summit, convened by the International Herald Tribune.

This high-level gathering, chaired by Nursultan Nazarbayev, president of the Republic of Kazakhstan, and supported by the State Investment Committee, will allow international investors to enter into discussions with top government, business and financial leaders in Kazakhstan. The summit will examine the country's enormous investment potential, as well as the issues that need to be resolved to encourage further investment.

President Nazarbayev will give the keynote address. Other speakers include high-ranking government officials and ministers and leaders of the Kazakhstan and international business communities.

Topics to be discussed include the oil and gas industry, sources of finance for investment, and the possibilities for regional cooperation and economic integration in the Commonwealth of Independent States (CIS), which represents a potential market of 55 million people. Other subjects on the agenda are the role of the State Investment Committee in building confidence and attracting investment to achieve Kazakhstan's 2030 plan, investment in new transport, communications and pipeline links, and capital markets. The program also includes in-depth, sector-specific discussion sessions centering on manufacturing, agriculture, food processing, infrastructure, oil and gas, small and medium-sized enterprises, minerals and mining.

Information packs on investment opportunities in each region of the country will be available to participants.

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The Government of Kazakhstan represented by the Department for Post & Telecommunications, under the Ministry of Transport & Communications, invites sealed bids from eligible contractors for construction of GSM standard cellular communication networks in the Republic of Kazakhstan.

Initial evaluation price of the auction of the object is set out as US \$16,500,000 (sixteen million five hundred thousand dollars). The invitation to tender will be carried out in two stages.

1. Preparation to the tender within the framework of the auction and determination of the participants subject to the main technical requirements specified by the Republic of Kazakhstan Ministry of Transport and Communications (Resolution No 106, 22 May 1998).

2. The invitation to tender will be held in the form of an auction. The tender date for bids is Friday, 31 July, 1998 at 4:00 p.m. (Kazakhstan local time). The deadline for submission of all applications is Tuesday, 28th July, 1998 at 4:00 p.m. (Kazakhstan local time).

For further information regarding the tender process, please apply to the: Department for Post & Telecommunications, Ministry of Transport & Communications, Room 312, 49 Abai Avenue, Astana 479000, Republic of Kazakhstan.
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HOMEGROWN MBAS

Local school turns out highly qualified managers.

Kazakhstan has a highly skilled workforce, and more than two-thirds of its population has completed secondary education. Ten percent have university degrees. But the country still lacks managers, professionals, bankers, analysts and civil servants trained in Western, market-oriented disciplines.

Since 1992, international businesses seeking to recruit highly qualified staff in Kazakhstan have been able to employ graduates of The Kazakhstan Institute of Management, Economics and Strategic Research. Established

with the approval of President Nursultan Nazarbayev, the institute is a leader in its fields throughout Central Asia.

Masters' degrees are offered in three areas: business administration, public administration and economics. All courses are taught in English, reflecting the institute's concern with providing its students with a widely spoken language. More than 500 students attend classes at the institute, and some 200 of them graduate each year.

A part-time MBA program and specialized training courses are also available in the evening for professionals.

In line with the country's immediate needs, the university now includes the Kazakhstan International Institute of Banking and the Management Training Center for Oil, Gas and Mineral Companies. This year, the institute is also planning to begin offering an Executive MBA in conjunction with the London Business School and HEC in Paris. ■

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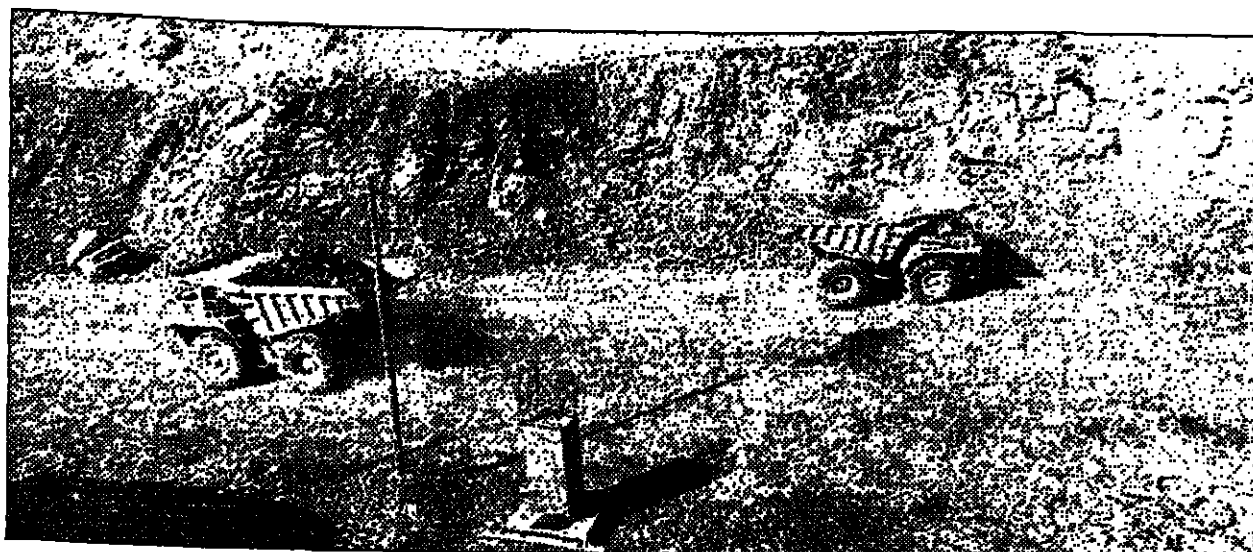
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KAZAKHSTAN



Kazakhstan's vast resources of minerals and metals are attracting investors from around the world.

THE MINING SECTOR: BACK TO PROFIT

Kazakhstan has the world's largest reserves of zinc, wolfram, molybdenum and barite, according to Kazkommertsbank officials in Almaty. It also possesses the world's third largest reserves of copper and manganese and has rich deposits of gold and silver.

During the Soviet era, Kazakhstan accounted for nearly a fifth of the USSR's output of coal and half its reserves of lead, tungsten, copper and zinc. Other significant deposits of iron, titanium, magnesium, chromium, bauxite, aluminum oxide and phosphates are mined and processed in the country.

During the first five years of independence, production fell dramatically because Kazakhstan's huge mines, smelters and manufacturing plants suffered from a lack of fuel, finance, spare parts and technology, as well as the loss of their traditional markets in the former Soviet Union.

The restructuring of many state-owned companies in the sector and the privatization of others has now led to a dramatic turnaround: In 1997, the industrial output of ferrous metallurgy rose 20.5 percent, compared with a fall in 1996 of 25.2 percent, according to official Kazakh statistics. For non-ferrous products, the increase amounted to 15.5 percent last year, compared with a rise in 1996 of 10.7 percent.

Foreign investors include the Japanese Chromium Corporation, which purchased a 55.2 percent stake in the state concern, Kazkhrom, in August 1996. Britain's White Swan has invested more than \$540 million in aluminum oxide production in Kazakhstan since 1995, mainly through Kazakstanski Aluminii (Kazakh Aluminum), one of the country's eight largest companies, in which it has a shareholding of just under 56.5 percent.

Last December, the London-stock-exchange-registered company Bakyrchik and the Toronto-registered Indochina Goldfields became co-owners of the Bakyrchik gold reserves, one of the largest undeveloped mines in the world.

Santa Fe Pacific Gold, a subsidiary of Newmont Mining of the United States, is also confident about the sector's promise: Last year, it raised its shareholding in the Sharalyn gold exploration project in northeastern Kazakhstan from 50 percent to 100 percent. Investors are now being sought to tap still other gold reserves, including the 14 million ounces of reserves at Vasilkovskoye, the State Investment Committee

revealed at the annual meeting of the European Bank for Reconstruction and Development (EBRD) held in Kiev in mid-May.

Samsung of Korea, through its German subsidiary Samsung Deutschland, now owns 40 percent of Zhezkazgansvetmet, a copper producer whose state shares are to be privatized in the coming year, following the restructuring and consolidation of Kazakhstan's copper mining and manufacturing plants into a new holding company, Kazmys, which Samsung is marketing as the Kazakhstan Copper Corporation. Capacity at its plants in Zhezkazgan and Balkhash totals 400,000 metric tons of copper, as well as some gold, silver, zinc and lead.

Timur Issatayev, ING Baring's representative in Almaty, said in mid-May that Samsung, unlike other Korean investors, has plans to increase its stake still further. His bank, together with Crédit Lyonnais, has successfully raised a \$120 million syndicated credit to help the company invest in new equipment and to diversify its markets.

One of the biggest success stories is undoubtedly the Ispat-Karmer works, a former Soviet complex in Temirtau, near Karaganda, which has a capacity of 6 million tons of liquid steel. Ispat International, part of the London-based LNM Group, owned by Indian-born Lakshmi Mittal, has managed to raise output from just 2 million tons in 1995 to 3.8 million tons last year, following its purchase of the facility in November, 1995. By the year 2000, the figure is forecast to rise to 4.5 million tons, according to company officials.

New export markets have been found in China and other Asian countries to replace those in Russia.

In December, both the EBRD and the Washington-based International Finance Corporation (IFC) recognized the company's achievements by granting it loans worth \$450 million to help streamline production, produce higher value-added products and lower costs, as well as to ensure adherence to modern environmental standards.

The investment is likely to make the complex one of the world's pre-eminent steel producers, especially as its products are expected to include the thousands of kilometers of steel pipeline that will be laid in the next few years to export Kazakhstan's oil and gas. ●

MODERNIZING VITAL TRANSPORT LINKS

Getting Kazakhstan's oil and gas to Western export terminals through nonexistent pipelines is not the country's only transport problem. Many foreign and local businesspeople would argue that the development of new road and rail links, as well as air transport facilities, is equally important. Upgrading the national electricity grid and building new power stations are also urgent tasks, but, as elsewhere in the economy, finance remains the main problem.

"Without the development of transport in accordance with international standards and technological progress, it is impossible for Kazakhstan to join the market economy," says one leading local banker. At present, the country, which in terms of land area is the ninth largest in the world, has a total of just 13,500 kilometers (8,370 miles) of tarred road. The railway network, which accounts for 86 percent of the total freight carried in the country, covers 106,000 kilometers, but it is sorely in need of modernization and expansion to serve the country's industrial and commercial needs.

In the case of roads, there are no adequate through routes to Kazakhstan's potential markets in China, India, Pakistan, Iran and Turkey. Local and regional routes designed during the Soviet era are poor and have not been maintained adequately.

The Asian Development Bank has agreed to provide financial assistance to build a new highway from the commercial center of Almaty to the new capital of Astana, 1,200 kilometers away. Other funding to improve transport is being sought from the World Bank and the Islamic Development Bank in Jeddah.

While the ideal scenario would include immediate work on the construction of a "Trans-Kazakhstan Highway" linking Europe with Asia, the lack of funds is likely to mean that such a project will be dependent on private investment — both local and foreign.

Foreign ventures in the country eager to resolve transport bottlenecks in the main oil and gas and industrial areas are moving ahead on their own, with the government's encouragement.

British Gas, Agip, Texaco and the Russian firm Lukoil are investing in a \$4 million road program in West Kazakhstan, where they are developing the country's huge oil and gas reserves. Elsewhere, as much as \$300 million to \$400 million is needed just to build and restore vital bridges and to provide in-

ternational cargo ferries, according to estimates by Almaty-based Kazkommertsbank. Private investors are also being sought to set up road haulage companies, public transport facilities in urban areas, and automobile and truck repair workshops.

Japanese investors, including Kawasaki Steel, are working with the government, international donors and Almaty Railways to upgrade and expand existing railway links. While Almaty has already carried out modernization of its lines and rolling stock in the governorates of Zhambyl and South Kazakhstan, new equipment and rail track maintenance is vitally needed in the southeast.

Altogether, the government plans to build 650 kilometers of new track to the major cities and to electrify some 800 kilometers of existing lines. Some of these projects are to be carried out by the new state railway company, Kazakhstan Temir Dzoly.

Air Kazakhstan currently operates domestic services to Astana and other regional capitals and is seeking to expand its international routes, but it has had to suspend some operations due to a lack of finance.

Astanair, a privately owned company set up last December by the Swiss construction company Mabette, flies BAC-111s to Astana, Chimkent and Zhyly-Orda and is planning new routes to Aktyubinsk, Ust-Kamenogorsk and Uralsk. Other local airlines provide services to Astana using aging Russian-made Tupelovs.

KLM, the Dutch airline, provides direct services between Almaty and Amsterdam, with onward connections to the airlines' international network in Europe, Asia, Africa and the Americas. Other services are provided by Lufthansa, Austrian Airlines and British Airways. Work on expanding and modernizing the coun-

try's 21 airports has also begun, and the Japanese are providing \$180 million to build a completely new facility at Astana.

Privatization Minister of Transportation and Communication Erkin Kaliev is seeking \$2 billion in the next 18 months to modernize the country's networks and transport facilities. "We are interested in direct investment and will create conducive conditions to enable us to obtain these investments and credits from commercial banks, companies and individuals," he says.

The government is also seeking foreign investment to expand and modernize the country's power plants and transmission and distribution systems. A U.S.-Israeli joint venture, AES-SunTree, has already acquired a coal-fired station in Ekibastuz and plans to export power to China.

Along with Britain's National Grid, AES-SunTree has also sought to be involved in operating the country's national electricity distribution system, currently managed by a state company, Kegok.

Tractebel of Belgium, which acquired both the generation and distribution rights for the important Almaty governorate, is now planning to expand its operations as well, having settled a dispute with the government in March. "We now collect 92 percent of payments in Almaty," says Ludo Candries, Tractebel's manager in the governorate.

This year, the government is planning more privatization in the sector, as well as authorizations for new independent power stations. "The second wave of privatizations is serious and will involve good companies," Mr. Candries says. "I want to play here." A presence in Kazakhstan, he adds, will also put his company in a prime position to expand still further in Central Asia and in China. ●



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KAZAKHSTAN

PIPELINES: GETTING THE GOODS TO MARKET

Pipelines will allow Kazakhstan to develop its potential as a leading exporter of hydrocarbons.

While the government is struggling at home to revive an antiquated network of domestic pipelines, the international focus remains firmly fixed on plans to link Kazakhstan's huge oil and gas reserves with export terminals in the West and in Asia. Global strategic interests are at stake, and they are delaying landlocked Kazakhstan's own efforts to develop its potential role as one of the world's major exporters of hydrocarbons.

At present, at least six major routes have been pro-

posed, most of them linked to the oil fields located offshore and onshore near the Caspian Sea.

"All are under consideration," says Yerlan Upushev, the president of state-owned KazTransOil. "We are co-operating with a number of companies interested in the transport of oil, but we have not decided."

One of the most favored, especially by the United States and Turkey, would connect Kazakhstan's offshore reserves with a pipeline running along the seabed to the Azerbaijani port of Baku through Georgia to the Turkish port of Ceyhan on the Mediterranean Sea. Turkey and Azerbaijan have already signed an agreement to build the Baku-to-Ceyhan portion,

which would cover some 1,920 kilometers (1,190 miles) and cost \$3 billion.

The route's advantage is that it would bypass the overcrowded tanker routes passing through the Black Sea, the Bosphorus and the Dardanelles Straits. In addition, it would reduce transit costs for Kazakh oil destined for European markets and the Eastern Mediterranean states.

Growing markets in Africa and the Indian sub-continent could also be supplied from Ceyhan via tankers passing through the

despite signs of moderation in the Iranian government.

Tanker transport

At present, Kazakh oil is shipped via tanker from the eastern Caspian port of Aktau to a terminal in the south at Enzeli in Iran. From there, it is sent to refineries in Tehran, Tabriz, Araq and Isfahan.

Under "swap" arrangements with Iran, an equivalent amount of Iranian oil is then sent from the country's ports in the Gulf to destinations in Europe and Asia. These arrangements are vulnerable both to political concerns and to Iran's policy of giving priority to its own export needs.

Saudi Arabia's Dabbagh Group, which is involved in the tanker shipments, has drafted detailed plans to upgrade the existing sea terminals. From Iran, Kazakh oil and gas could eventually also be transported overland via pipeline east to Turkey and the Mediterranean via a project proposed by Shell and other international oil companies. Another alternative has been proposed by the U.S. oil company Amoco. This would connect Kazakh oil to Baku via an undersea line running from Turkmenistan under the Caspian to Baku for onward transport to Ceyhan.

An American consortium led by Unocal, which includes Saudi Arabia's Delta Oil, is working on still another southern route to carry oil and gas from Turkmenistan through Afghanistan to Pakistan and possibly directly to India at a later stage.

Although Kazakhstan could construct a pipeline to connect with this network, officials in Astana are skeptical that any pipeline in Afghanistan would be secure, given the armed conflicts with the Taliban. Instead, the Iranian route is seen as a far

more preferable way to reach markets on the Indian sub-continent.

One of the most imaginative, and costly, pipeline projects yet envisioned involves the construction of a line to China. Stretching some 2,000 kilometers across Kazakh territory, it would link Chimkent in the west with the Xinjiang Uygur region in western China during the first stage of construction.

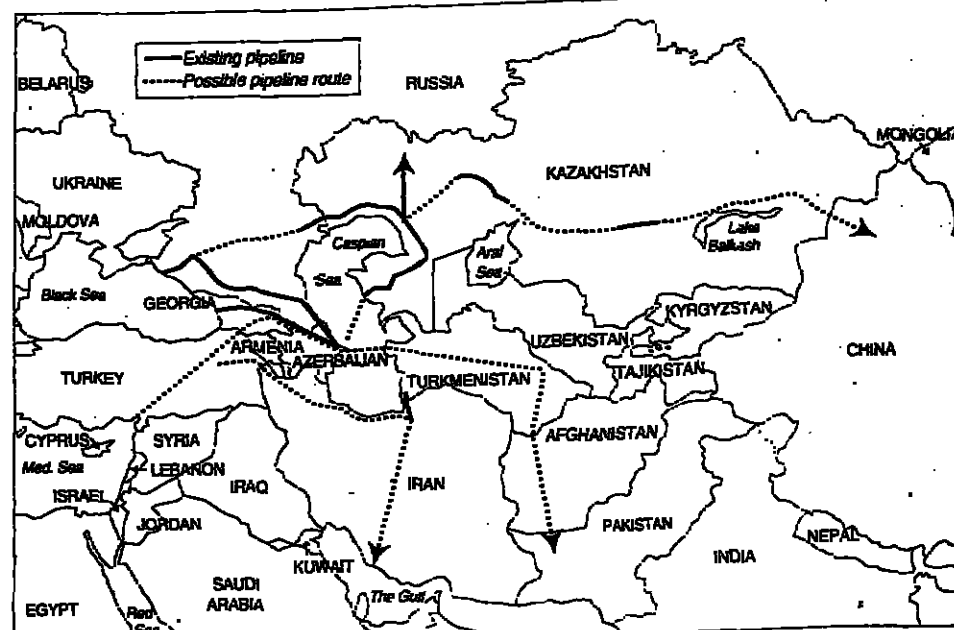
A second stage would connect Chimkent with other Kazakh oil fields and refineries in Aktyubinsk, Tengiz and Uzen. The total cost is estimated to be some \$9 billion, although Chinese officials have been quoted as saying that the first stage could be completed for less than \$4 billion.

In addition to providing Kazakhstan with access to a huge oil-consuming market that is expected to grow rapidly in the 21st century, the pipeline also has the advantage that the Chinese may be willing to help pay for at least part of it, given its strategic importance to the Chinese economy. The Chinese National Petroleum Company, which bought 60 percent of the shares in Kazakhstan's Aktubinskneft oil company a year ago, has already signed an agreement with the Kazakhstan government to evaluate the commercial feasibility of the project. Foreign investors in Kazakhstan are now holding talks with Chinese officials on oil purchase agreements that could help to ensure the line's profitability.

High volume Meanwhile, the project most likely to get off the ground in the next year is a \$2 billion pipeline linking Kazakhstan's huge Tengiz field with the Russian port of Novorossiysk on the Black Sea. The Caspian Pipeline Con-

sortium, which includes Chevron and Mobil of the United States, Lukoil and Rosneft of Russia, BG (British Gas), Agip of Italy and the government of Oman as well as the state company, KazakhOil, signed an agreement to build the 1,500-kilometer link last year, but delays over the shareholding and transit rights have held up the start of construction. This is now expected to begin in late 1999, with operations to start a year later. Capacity is expected to total some 1.4 million barrels a day.

Even if all goes according to plan, Kazakh officials point out that the pipeline will be insufficient to handle the high volume of the country's exports as production in the Caspian and in onshore fields accelerates early in the next century. In addition, they are concerned that the port of Novorossiysk, like others in the Black Sea, is already congested and subject to closure due to bad weather. For this reason, although the route is seen as a vital development to eliminate initial export problems,



the construction of additional pipelines that provide more direct access to the world's main consuming areas will also be necessary.

Within Kazakhstan itself, efforts are also proceeding to attract private and foreign investment for the expansion and modernization of existing oil and gas lines, most of which were designed to serve markets in Russia, the Ukraine and the Transcaucasian states. New lines are needed to bring gas from

the huge Karachaganak field in the extreme northwest of the country to serve major cities in Kazakhstan, as well as to link the main oil fields with Kazakhstan's refineries.

The resolution of a dispute in March between the government and the Belgian firm Tractebel, which won a concession last July to operate gas pipelines in Kazakhstan, is expected to restore confidence by investors who have been concerned about

the possibility of bureaucratic interference.

Tractebel's chairman in Kazakhstan, Nicholas Athier, told newsmen in Belgium in March that the establishment of a neutral audit commission by the government meant that any difficulties could be ironed out smoothly, removing barriers that might have stopped Tractebel from continuing its plans to develop a pipeline bypass through Kyrgyzstan and a gas link to China. ●

NATURAL GAS: MAXIMUM POTENTIAL

In addition to oil, Kazakhstan has huge reserves of gas and condensates, which are expected to make it one of the world's leading producers in the early part of the next century. Current reserves of natural gas are estimated to total some 2 trillion cubic meters, enough to allow an annual production of about 35 billion cubic meters a year.

International surveys indicate that the total figure for reserves could rise as high as 13 trillion cubic meters once exploration is complete, a Kazakh official said at a conference in London at the end of April.

Two-fifths of these reserves are located in the giant Karachaganak reservoir in

the extreme northwest of the country, near the border with Russia. Under the terms of a production-sharing agreement signed last year with the government, an international consortium consisting of Texaco of the United States, BG (British Gas), Agip of Italy and Lukoil of Russia will have the rights to develop the field for the next 40 years in return for a promise to invest \$6 billion during the period.

At present, the field produces 50,000 barrels of condensate a day, but this is expected to rise to 250,000 barrels a day within the next three years, according to industry experts in London. Production of natural gas is expected to reach up to 5.2

billion cubic meters a year by 2001.

Rising annual output

The current output of gas is hindered by the reluctance of Russia's Gazprom to allow its export through the Russian pipeline network, with the result that most of the gas that is produced at present is reinjected into the field to increase the production of condensates.

Measures to develop new domestic pipelines are expected to ease the problems within the next few years, especially if the link between the field and the new capital of Astana goes ahead as planned. Other supplies are expected to be transported to Kazakhstan's major urban

and industrial areas. Already, overall gas production in Kazakhstan, is showing firm signs of recovery from the decline experienced during the years following the country's independence from the former Soviet Union.

Although output reached 7.1 billion cubic meters in 1990, this had fallen to just 4.5 billion cubic meters by 1994 due to poor maintenance, a lack of spare parts, finance, trained staff and export outlets. Since then, the recovery has seen annual output rise to 5.9 billion cubic meters in 1995, 6.4 billion cubic meters in 1996 and an impressive 8.1 billion cubic meters last year, a 24.4 percent increase over the 1996 figure. ●

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KAZAKHSTAN

NEXT GOAL: DOUBLING OIL PRODUCTION

The country's proven reserves total 15.5 billion barrels, but this figure could double in the next decade.

Kazakhstan, the second largest oil producer in the former Soviet Union, is now expected to become one of the world's leading producers early in the next century. The government's liberal free market policies and its readiness to grant licenses to foreign firms for exploration and production have already attracted both the major international oil companies and smaller concerns willing to provide finance, technology and advanced management and marketing systems.

The country's proven reserves total 15.5 billion barrels, but this figure could double in the next decade once surveys of the offshore areas in the Caspian Sea are complete.

Production, which totaled 25.7 million tons in 1997, is expected to rise to some 80 million tons a year by 2005 and possibly as much as 120 million tons by 2020.

International consortia

Almost half of current output comes from three onshore fields near the Caspian: Tengiz, one of the 10 largest oil fields in the world; Karachaganak; and Uzen.

Tengiz is being developed by a joint venture, Tengizchevroil, consisting of the Kazakh government, Chevron and Mobil of the United States, and Lukoil of Russia. Last year, the venture produced almost 30 percent of the country's entire output, compared with just 5 percent when operations began in 1993, despite the necessity to transport the crude by barge and rail pending the completion of an export pipeline to the Black Sea.

The project is expected to attract some \$40 billion in investments during the next 40 years. Already it has led to the construction of a \$100 million plant to remove sulfur compounds from the oil

produced at Tengiz as well as other investments designed to improve water, energy, medical and housing facilities in Western Kazakhstan.

About \$6 billion is being invested in the Karachaganak oil field, which also contains about 40 percent of Kazakhstan's gas reserves. A consortium consisting of Texaco of the United States, BG (British Gas), Agip of Italy and Lukoil is developing the field, which is expected to produce some 12 million tons of oil and gas condensates by the year 2002.

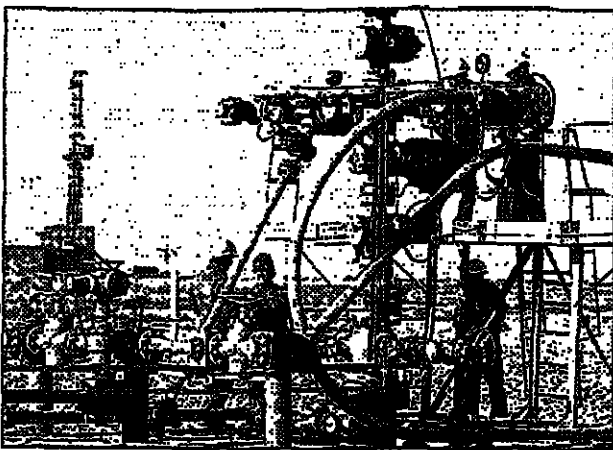
In August, the Chinese National Petroleum Corporation (CNPC) pledged to invest up to \$1 billion in return for rights to develop the Uzen field, which is estimated to contain some 1.5 billion barrels of oil. Earlier in the year, it agreed to develop three fields in the Aktyubinsk region in exchange for a 60 percent interest in Aktyubinsk-munaigas, the Kazakh company developing the fields.

Joint ventures

Still other deals signed last year included the purchase of a 60 percent stake in the country's largest oil producer, Mangistaumunaigas, by the Indonesian concern, Central Asia Petroleum. The Turkish state-owned company TPAO signed a contract worth \$750 million with the government to explore reserves in the Caspian Sea.

This is to be followed by a 25-year production agreement for a joint venture consisting of Amoco of the United States and TPAO. An extensive survey of the Caspian has already been carried out by a consortium consisting of Royal Dutch/Shell, Mobil, Agip, BG, Total of France, BP (British Petroleum) and Statoil of Norway.

In November 1996, the



Kazakhstan is expected to be one of the world's leading oil producers early in the next century.

Canadian company Hurricane Hydrocarbons purchased an 89.5 percent stake in the state-owned production company Yuzhneftegas, giving it assets of some 390 million barrels of proven and probable oil reserves in the Kumkol field near Kzyl-Orda in south central Kazakhstan.

Unlike those in the Caspian, the reserves are "shallow, sweet and without sulfur," says John Komarnicki, Hurricane's Calgary-based president and CEO.

Work is also proceeding on plans to upgrade the country's three main refineries at Chimkent, Pavlodar and Atyrau. Output has declined since independence, and efforts are being made to attract foreign and private investment to provide new pipeline and transport links to the sites as well as modern equipment and management.

In addition, a new state-owned company, KazakhOil, has been established to represent the country in future negotiations on exploration and production. It is reported to be in the process of taking over the government's interests in 18 joint ventures, including its stake in Tengizchevroil and 90 percent of the shares of Kazakhstan-

caspienself, the joint stock company set up to exploit the Caspian reserves.

Clear-cut policies

Earlier this year, the government announced that it was reviewing the way it awards oil and gas licenses, although officials have stressed that this does not mean any change in the overall policy of welcoming foreign and private investment.

"There is a need to develop clear-cut policies and procedures," says Doulat Kuanyshiev, director of the State Investment Committee. "Many of the licenses that were given went to smaller companies looking for foreign partners. Some are not honoring their commitments."

"Sometimes people lose their licenses because of a lack of performance," says Mr. Komarnicki. "Our philosophy is that we go in and try to do a deal that is good for both parties. We have a high profile in terms of jobs, the level of our salaries and the economic stimulation of the region. We make an impact."

Companies that honor their commitments, he says, can be confident of receiving a good response from the government. ♦

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KAZAKHSTAN



Astana, the new capital city, combines attractive urban design and modern infrastructure.

NEW CAPITAL IS SYMBOL OF NEW ECONOMY

Less than seven years after independence, Kazakhstan is preparing to formally launch its new capital city, Astana. Situated in the geographical center of the country, it will combine the best of architecture and urban design with a modern infrastructure linking it to Kazakhstan's major industrial and agricultural regions.

The move, announced by presidential decree in September 1995, has necessitated an intense round of building and construction work to transform a provincial city of 300,000 people into a suitable location for the government, foreign embassies, international banks and corporations, and the hundreds of thousands of Kazakhs who are expected to live and work there in the coming years. The work has already created vitally needed new jobs in a formerly impoverished area and led to an influx of businesses and commercial services catering to the needs of a new middle class of salaried professionals.

The work is being supervised by a state commission, which launched a national competition with the League of Kazakhstan Architects in 1996 to design the

overall concept and layout. Additional advice has come from architectural institutes, specialists and academics in Europe and Asia.

Other countries' experience has also been taken into account, notably the move from Bonn to Berlin, from Istanbul to Ankara and from Rio de Janeiro to Brasilia.

Attractive design

"The architects' model reminds one of a traditional Kazakh noble's white felt hat, ornamentally bordered with the green of the city's plantations, the red of its tiled roofs, the turquoise of its lakes and the black and pearl lines of its motorways," wrote one local journalist when the design was shown to the press.

Critics, notably from the former capital and commercial center of Almaty in the southeastern part of the country, have been less enthusiastic. They point out that Astana is located in the most severe climatic zone of the country, on the windswept steppes, which have sub-zero temperatures and heavy snow in winter and extreme heat in the summer.

The architects say they

have taken these factors into account. Buildings, including the new Presidential Palace and the Parliament, have been designed to block the wind, and industrial sites are located in the northeastern outskirts so that the prevailing winds carry the pollution away from the commercial center and residential areas.

Two- and three-story housing is planned, rather than tower blocks, to promote private home ownership. Huge banks of tree "fences" will enclose the city, and the Yesil river, which cuts through the center, will be widened and surrounded by gardens to provide a focal point for leisure activities.

Visitors will have a hard time finding the capital on any existing map: The former name, Akmolai, was only changed in early May. President Nazarbayev explained the change on state television by saying that the Kazakh word "Akmolai" was open to misinterpretation by the local and foreign mass media (it can be translated either as "white plenty," or as "white tomb"). Astana, meaning "capital city," he explained, seemed more appropriate.

BUSINESS TRAVEL TIPS

The inside track on doing business in the land of the Silk Road.

It is important to remember that Kazakhstan is an independent state, with its own proud traditions going back to the ancient Scythians and the great Khanates of the 16th and 17th centuries. Viewing developments through the prism of its former provincial status in the Soviet Union is irrelevant today.

Language

Kazakh, which is related to Turkish, is now the official language, and its teaching is mandatory in the schools. Russian is still widely spoken, however, and it would be useful to have your business cards and correspondence translated into Russian. Hiring an interpreter is common practice and helps save time and misunderstandings. The use of English is increasing rapidly, particularly in government offices, business and banking.

Bureaucracy

A new generation of young, highly skilled, Western-oriented officials is taking over the upper echelons of government. Often they have shared the same schools or work experience and will refer you to their colleagues to help overcome bureaucratic difficulties.

Change has yet to reach the middle ranks, however, and the red tape, demands for arbitrary payments and delays can prove frustrating, though the government is actively tackling the problem. For businesspeople, the State Investment Committee acts as a "one-stop shop" and provides a direct path through the red tape.

If your company is considering doing business over the long term, consider es-

tablishing your headquarters or a branch office in the capital, Astana. Exemptions from taxes and customs duties, plus other incentives, are available.

Travel

To obtain a visa, a letter from a sponsor within Kazakhstan is required and should be requested well in advance. The State Investment Committee is prepared to offer assistance in this area. In Almaty, a VIP reception service is available at the airport. Request this service from your hotel when you make your reservations. For onward travel to Astana, where government offices are relocating, advance reservations are necessary.

Accommodations and leisure

Almaty — still the country's main commercial center — now has two fully serviced luxury hotels, the Ankara Hotel & Towers and the Hyatt. These hotels offer business centers, which provide computers, e-mail and Internet access for businesspeople. A wide choice of restaurants is now available, serving European, Asian and Kazakh cuisine. The International Business Club is a lively watering hole where many business deals are made. In Astana, the choice is more limited, but the Yasur is favored by government officials and businesspeople. Don't forget to sample the caviar! Try to get out to the stunning countryside — a walk in the foothills of the Tien Chen mountains a half-hour away from Almaty is one possibility if time is short. Even better is a stay in a guest house over the weekend. ●

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Official resource for the latest news developments and background.

Kazakhstan Securities Market Development Project
<http://www.kazsecm.kz>
Comprehensive, authoritative source for the latest in financial developments and in-depth reports on the economy, including the information Centre of the Kazakhstan Press Club.

BISNIS Online
<http://www.itaiep.doc.gov/bisnis/bisnis.html>
BISNIS Online is the home page for the U.S. Department of Commerce's Business Information Service for the Newly Independent States (BISNIS), the U.S. Government's one-stop shop for doing business in Russia and the other states of the former Soviet Union. Includes a vast amount of information, country reports and useful links.

State Investment Committee
<http://www.kazinvest.kz>
Coming soon: The official Web site of the Kazakhstan State Investment Committee.

Almaty Business Communications Center
<http://www.almatybcc.kz>
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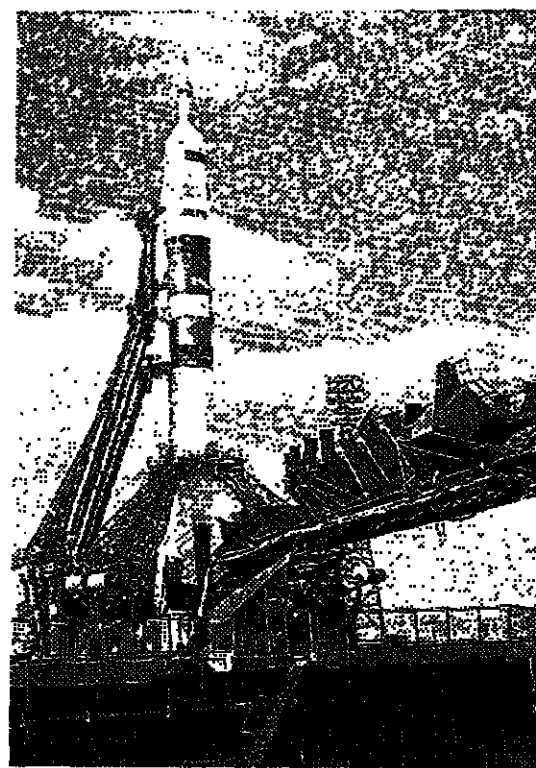
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OBSERVER

Scouting Up Ahead

By Russell Baker

NEW YORK—The baby-boom generation is now looking down the gun barrel of 50 and worried about what to expect. At its request, I have gone ahead to scout the territory. This is what's up there:

The 50th birthday: You wake feeling wonderful. This is because you are still alive.

51st birthday: You consider hair transplants or, if female, liposuction.

53d: The doctor says it's only natural for knees to creak at your age, the swine.

55th: After rising and while facing the mirror, you think: "Oh, to be 50 again!"

56th: Have you ever felt better? You sure have.

58th: "Oh, to be 55 again!"

59th: Remember how tired and worn-out your parents looked at this age? By comparison, you don't look a day over 35. Maybe 49.

60th: Lovely, lovely! The big six-oh, and you don't feel a bit worse than you did when you were still in your 50s yesterday.

61st: It is amazing how unfaded you look by candlelight. And the old drain—brain, that is—has it ever been sharper, more alert, quicker to grasp Frankenstein's theory of relativity or coin a side-splitting catchism—solecism?—prism?—fanaticism?—Manichaeism?—what's the word I'm looking for?

62d: Witicism.

63d: You've had better birthdays. A lovely young woman calls you "Pops." If you are female, a charming young man—great pecks and abs!—puts an arm out to save

you from stumbling into a pile of lawn fertilizer and says, "Watch your step, mother."

65th: You realize that there are worse things than being 65, but you prefer not to think of them.

66th: Waking, you feel astonished, and say to your wife, "When I was 21 I never expected to be a 66-year-old man." Or, if female, "I've been 21 and now I'm 66, and when I remember that at 21 I made the obligatory youth journey to Woodstock, there's a lot to be said for being 66."

68th: So you're 68. All sorts of people have been 68. Methuselah. If anyone telephones, say you're out.

69th: You're tired of being a liberal. What's more, you don't even feel liberal anymore. You must have been crazy to think that was a good time you had in that mess at Woodstock. You decide to become a right-wing nut. Alternatively, if tired of lifelong conservatism, you become a left-wing extremist. Anything to show you're still rambunctious.

70th: You hope the children don't drop by today. They always ask if your arteries, kidneys, liver and lights are failing, and whether it isn't time to surrender your car keys.

71st: You decide not to get down on your knees all day long so you can feel wonderful about not having to ask somebody to help you get up.

72d: What's this! The children's hair gray? It makes you feel old for the first time.

73d: How wonderful being old enough to see your teenage grandchildren abuse your children the way your children used to abuse you.

More after I scout further ahead.

New York Times Service

By Betsy Sharkey
New York Times Service

LOS ANGELES—There is a certain symmetry in the fact that Eric Schwab's first film as a director, "Green Fog," which he also wrote, will be made in Thailand in the fall. It was in Thailand a decade ago that Schwab, at 30, began an unusual apprenticeship with the director Brian De Palma. At that time, De Palma was filming "Casualties of War," his Vietnam morality play, with Schwab serving as second-unit director, supervising scenes that did not require the movie's primary cast members.

But it was as a boy growing up in Encino, California, in the shadow of Hollywood, that Schwab first dreamed of becoming a filmmaker, turning in short films rather than term papers in high school and later studying film in college and graduate school. As Schwab learned, however, the distance between dream and reality can be great.

In a world in which timing is everything, he found himself among the last of a generation of aspiring filmmakers who would become directors (or wouldn't) only after paying dues for years in lesser jobs on studio movies.

Just after him came a host of 20-something auteurs who discovered a faster track into the directing ranks on the strength of small, independently produced films often financed by family credit cards. Unlike Quentin Tarantino ("Pulp Fiction"), Robert Rodriguez ("Desperado") and Noah Baumbach ("Kicking and Screaming"), to name a few who have made the leap from obscurity relatively quickly, Schwab's shot is coming after years of being tested.

For those who find themselves on the more traditional Hollywood path, getting that first shot at directing a movie is most often a tortuous journey distinguished by many valleys and few peaks. Beyond mere talent and experience, a career can be made or broken by the relative strengths of producers, agents and actors, and the whims of the industry as a whole.

In 1990, when Warner Brothers signed on Schwab for another movie that everyone thought would be the first he would direct, a producer friend dropped him a note that said, "Congratulations, now you can have a life in hell like the rest of us."

Schwab's experience serves as a cautionary tale in how to survive and eventually prevail in a flavor-of-the-day world that will, as his agent, David Warden, contends, em-



Eric Schwab with Brian De Palma during filming of "Casualties of War" in 1991.

brace had hot over good cold in a heartbeat.

In the last seven years, five movies have come perilously close to putting Schwab in the director's chair. Three of them unraveled completely: there is still a chance that the fourth will be made, and the fifth is "Green Fog."

Despite this history of troubled endeavors, Schwab is, at the age of 40, quite successful by most standards. As a well-respected second-unit director, he is paid handsomely and is much in demand. It is a position that allows him to take off a year at a time to pursue directing projects. But filming only pieces of movies, even pieces that require budgets larger than his first film will have, no longer satisfies him.

"I want to tell the whole story," he said recently. Whether Schwab will ultimately succeed in his quest, a director whose work is seen to add to the art and craft of filmmaking, may well rest with "Green Fog," a fact of which he is painfully aware.

He is determined not to blow it. Schwab got his first job in the motion-picture industry in the late 1970s, as a production assistant on "Golden Girl," a forgettable movie starring Susan Anton as an Olympic

hopeful. From the beginning, his strategy was to pepper directors, line producers, directors of cinematography and set designers with as many technical questions as they would tolerate.

"The first artistic film that I worked on where I could see more thought was put into this than just how to make money was 'True Confessions,'" said Schwab, referring to the 1981 thriller directed by Ulu Grosbard and starring Robert De Niro and Robert Duvall. Schwab was employed as a location scout, but he managed to strike up a relationship with the director and the production designer.

"It was great because both of them liked me and involved me in the creative side of how the film was going to look," he said. After that, he would take jobs only on films being made by people with whom he wanted to work—even if this often meant having to accept lowly positions, at low salaries.

For the jungle scenes in "Casualties of War," Schwab was given the choice of shooting with a Thai crew or importing a foreign crew. He opted for the Thai crew because it was less expensive, and that meant he could shoot more film and remain within

the budget he had been given. "I was able to do shots like I'd wanted to do my whole life," he said. "I experimented with different speeds and different types of lenses."

Schwab has worked with De Palma since "Body Double" in 1984, serving as second-unit director for "The Bonfire of the Vanities" (1990), "Carlito's Way" (1993) and "Mission: Impossible" (1996), meeting ever-more-complex requirements along the way. De Palma believed it was time for Schwab to direct his own film after the younger man managed to secure an extraordinarily difficult and memorable shot for "Bonfire" that captured in a single frame the setting sun, the Empire State Building and a Concorde landing at Kennedy airport.

With every possible directing project that Schwab has explored in recent years, De Palma has been adviser, mentor and friend, and he will probably serve as an executive producer on "Green Fog." He has read each of the scripts Schwab has considered directing, and they have discussed casting, producers—the entire ballet of making a film.

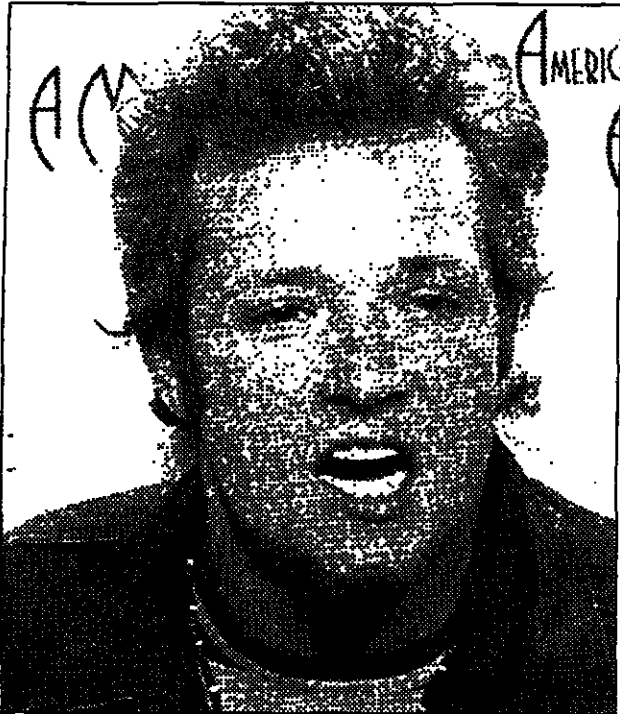
"When I was working on one film that I was 100 percent sure was going to be made, Brian kept telling me, don't count on it," Schwab recalled. "I said, 'Why? You don't think it's a good idea?' He said, 'No, it's not that. I just know from experience you can't count on any one film working out. You've got to get a couple of things going because you never can tell which one is going to click.'"

That is a lesson Schwab has learned only too well. After the Concorde shot in "Bonfire," agents and movie executives suddenly wanted a piece of his life. He was taken on by an agent, and several projects burst into possibility. But they disappeared in the haze. Then came the search for a new agent, another false start and, finally, the lurch into "Green Fog."

Among the many ideas about movie making that De Palma has imparted to Schwab, the notion of a film's immortality is the central pillar. Simply put, don't do something that you're not proud of, and, by extension, that doesn't push filmmaking forward.

"Some people get into film now for the big killer salaries," Schwab said. "When I went into film, you went in in spite of everything else. You went against the wishes of your parents, against the wishes of your friends. I did it because I had a love of film and I had to do this. For me there was nothing else."

PEOPLE



Scott Weiland was charged with possession of heroin.

DNA tests conducted more than 150 years after the death of a man who claimed to be the son of King Louis XVI of France have revealed him as an impostor, according to a study released Tuesday. Karl Wilhelm Naundorff, who died in the Dutch town of Delft in 1845, was the most important of the many claimants who came forward in the early 19th century arguing they were Crown Prince Charles Louis, the son of Louis XVI and Marie-Antoinette. Two years after Louis and Marie-Antoinette were guillotined in 1793 during the French Revolution, Charles Louis died of tuberculosis in the capital's Temple prison at the age of eight. But stories persisted that the young prince had been spirited away from his cell. Scientists at the Catholic University in Leuven, Belgium, in a study published in the European Journal of Human Genetics, said the results of extensive DNA tests "strongly favor the theory that Naundorff is not Louis XVII." The DNA testing was conducted on hair and bone samples of Naundorff and on hair samples from two sisters of Marie-Antoinette. Naundorff's tomb in Delft, Netherlands, bears the inscription: "Here lies Louis XVII. Duke of Normandy, King of France and Navarre."

Scott Weiland, lead singer of the Stone Temple Pilots, was arrested as he left a housing project in New York City with about \$100 worth of heroin, the police said. Weiland, 30, was charged with trespassing and drug possession Monday and that night's show at the Irving Plaza club was canceled. The

singer was arrested in May 1995 in California, when police officers found cocaine in his car and heroin in his wallet. In April 1996, a judge ordered him to spend four to six months at a drug treatment center, which put the band's U.S. summer tour on hold.

The Museum of Contemporary Art in Chicago has chosen Robert Fitzpatrick, dean of the School of Arts at Columbia University since 1995, as its new director. Fitzpatrick, 58, oversaw the creation of EuroDisney and was president of the California Institute of the Arts from 1975 to 1987 and the director of the 1984 Olympic Arts Festival in Los Angeles, which attracted more than a million visitors in its 10-week run. He is to take over in September, becoming the sixth director in 31 years at the museum, which moved into a new 151,000-square-foot building two years ago. Fitzpatrick succeeds Kevin Consey, who resigned in November.

Iran plans to put the complete works of the late spiritual leader Ayatollah Ruhollah Khomeini on the Internet, an official announced. Hamid Ansari, head of the institute that is publishing Khomeini's writings, said 210 works in Persian and 107 texts translated into 16 languages would be made available on the web, the Iranian news agency IRNA reported. Ansari did not say when the Internet service would start and offered no further details.

The Spice Girls have gone into hiding at Elton John's mansion on the French Riviera following the departure of Geri Halliwell, a.k.a. Ginger Spice, the Sun tabloid reported Tuesday. The remaining four Spices are scheduled to proceed with a tour of 40 cities in North America in two weeks without Halliwell, but many in the music world wonder whether the group will survive her defection.

Three world premieres, four U.S. premieres and international feature and documentary competitions are all part of the inaugural Newport International Film Festival, opening a six-day run in Newport, Rhode Island. Consisting of 75 screenings in all, the event began Tuesday with an attraction fresh from the Cannes International Film Festival: "The Mighty," starring Sharon Stone, Gillian Anderson and Genz Rowlands.

When Time magazine put together its list of the 20 most influential artists and entertainers of the century, they picked Elvis Presley over Frank Sinatra. Then the "60 Minutes" reporter Mike Wallace stepped in on behalf of Ol' Blue Eyes, calling up to lobby Walter Isaacson, Time's managing editor. Wallace was working with Isaacson on a special show for CBS about the list. After Wallace's haranguing, Time switched to Sinatra, succumbing to the argument that the crooner had a greater influence on personal style.

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